Globalization Myths and Realities

In an excerpt from his upcoming book, LEE SUSTAR answers some questions about "globalization."

OVER THE past several years, the term "globalization" has become a common way for politicians and the media to refer to the dominant trends in the world economy. Economic globalization is, it would seem, all pervasive. But what exactly is globalization? In fact, the meaning of "globalization" depends almost entirely on who is talking about it.

For U.S. employers, it's become shorthand for an aggressive program that involves government deregulation of industry, privatization of government services and liberalization of barriers to international finance and trade. Indeed, it's become their new excuse for an old demand: Give us more.

For Clinton and Corporate America, globalization is a policy that aims to open the world's markets to U.S.-based transnational corporations. But it is also an ideology. Around the world, ruling classes use globalization as a justification for austerity measures, job cuts, spending cuts and increased workloads. Private-sector workers are threatened that if they don't boost productivity and cut costs, their work will be moved to factories abroad, where wages are rock-bottom and unions nonexistent. Each national ruling class and government can wash their hands of responsibility, saying essentially, "Globalization made me do it."

But for all the claims of the globalization enthusiasts to be making the world anew, this is still capitalism as we have always known it. Several studies have shown that the world economy was more open during the period between 1870 and 1914—and that trade consumed a higher proportion of the main capitalist countries' gross domestic product than it does today. What have changed are the increased magnitude and character of international trade and investment and the massive growth of international financial speculation. Left-wing economist Doug Henwood has recently challenged the uncritical acceptance of the term "globalization" in the following way:

> If there's one thing that analysts and activists across the political spectrum agree on today it's that we live in an era of economic globalization. This is taken by both critics and cheerleaders as self-evident and largely unprecedented. We should think twice about this consensus…
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> One of my problems with this term is that it often serves as a euphemizing and imprecise substitute for imperialism. From the first, capitalism has been an international and internationalizing system…Not only is the novelty of "globalization" exaggerated, so is its extent. Capital flows were freer, and foreign holdings by British investors far larger, 100 years ago than anything we see today. Images of multinational corporations shuttling raw materials and parts around the world, as if the whole globe were an assembly line, are grossly overblown, accounting for only about a tenth of U.S. trade. Ditto trade penetration in general. Take one measure, exports as a share of GDP. By that measure, Britain was only a bit more globalized in 1992 than it was in 1913, and the United States today isn't a match for either. Japan, widely seen as the trade monster, exported only a little larger share of its national product than did Britain in 1950, a rather provincial year. Mexico was more internationalized in 1913 it than was in 1992. Exports are just one indicator, for sure, but by this measure, the distance between now and 1870 or 1913 isn't as great as it might seem.[1]

Economic globalization has not meant that production and distribution is spread evenly across the globe. Far from it. The global economy remains dominated by a handful of wealthy countries—including those in Western Europe, the U.S., Japan and Canada. The vast majority of production takes place inside those countries and in regional trade blocs dominated by them—and the overwhelming bulk of world trade takes place between these regional giants. Far from globalization opening the way for developing nations to take their place in a system of international equals, the vast majority of the world's countries are either squeezed by the big powers—or simply abandoned to a miserable fate.

It is also the case that "globalization" is very poor word to describe the internationalization of the economy that has taken place. The U.S.-dominated North American Free Trade Agreement (NAFTA), the European Union and, in a more informal way, Japan are effectively regional trade blocs that absorb the bulk of manufacturing, trade, investment, loans and currency trading. According to one study, 82 percent of manufactured goods are made in the developed countries—a figure at odds with the stereotype of Third World manufacturing and a postindustrial "service economy" in the West. Furthermore, 75 percent of world trade takes place among advanced countries, a figure that has actually *increased* from 63 percent in 1960.[2]

What about the developing countries? While nations like South Korea and Indonesia have given rise to major industrial corporations, only 15 percent of world output comes from developing countries—just a 4 percent increase since the 1970s. Similarly, only about 16.5 percent of trade involves developing countries—and the bulk of that is from a handful of countries such as Mexico and Brazil.

Footloose capital?

"If U.S. workers don't accept lower wages," runs Corporate America's argument, "companies will just have to move elsewhere where labor is cheaper." This refrain is heard daily—but that doesn't make it true. It means that someone is trying hard to sell this case.

Transnational corporations can't simply pack up and move to where labor is cheapest. Often they require a skilled and educated workforce that can take years or even decades to develop—a workforce that it is profitable to maintain if wages are lower someplace else. Moreover, transnational corporations typically rely on their "home" states to get them out of trouble. Consider the 1979 U.S. government bailout of Chrysler Corporation, which was deemed too big to go bankrupt. And governments can be indispensable for opening new business opportunities abroad, as every U.S. oil company executive with investments in the Middle East knows. Defense contractors and large "national champion" corporations also benefit from close ties to the state. A study of competition between Boeing Company and the European consortium Airbus showed how both companies used their economic clout to mobilize government officials to mount trade wars in their interests. A look at the semiconductor and robotics industries drew similar conclusions.[3]

These findings are not unusual. Two other researchers found that "virtually all of the world's largest core firms have experienced a decisive influence from government policies and/or trade barriers on their strategy and competitive position," and "at least twenty companies in the 1993 Fortune 100 would not have survived at all as independent companies, if they had not been saved by their respective governments."[4]

It is clear that while some employers will indeed make good on threats to move some production abroad, the great bulk of transnational corporations still concentrate their factories, investment, research, development and sales in their home countries. Thus, of 37,000 transnational corporations, 70 percent are based in the 14 countries of the advanced capitalist world.

While trade and investment have tied the richest parts of the world and their respective trade blocs more closely together, much of the world is getting left behind.[5] As U.S. Secretary of State Madeleine Albright diplomatically put it on a trip to Nigeria to promote U.S-African trade in October 1999, "They find it pretty hard to understand that we're going around saying that we have the world's greatest economy, and that we have a huge budget surplus, and they are there digging themselves out of garbage." U.S. aid to Africa actually declined from $870 million in 1992 to $700 million in 1999.[6]

If world investment and trade are dominated by multinational corporations headquartered in the richest nations, the most prominent tendency that merits the term "globalization" is the growth in the volume and value of trade along with the transactions of the currency and foreign exchange markets. World exports now account for some $7 trillion, or 21 percent of world gross domestic product, up from 17 percent in the 1970s. Foreign direct investment (FDI) has also increased sevenfold in the last 30 years, but it is concentrated in the most developed economies. The value of daily currency and trade surged from $10 to $20 million in the 1970s to an incredible $1.5 trillion in 1998. Bank lending across borders also surged from $265 billion to $4.2 trillion in 1994.

These changes haven't radically altered the shape of capitalism or altered its fundamental relationships. But as the period of financial crises of the 1990s—Mexico in 1995; East Asia, 1997; Russia and Brazil, 1998—showed, these huge transactions have served to heighten the instability of the system.

This volatility, along with rampant corporate greed and mind-numbing social inequality on a world scale, has been used by the tiny minority at the top of society to feed the myth of the unbeatable, insatiable, globalization monolith. But at the end of the day, even the richest and most powerful transnational has to rely on ordinary working people to realize its profits. And when workers organize and fight back, the giants can be revealed as vulnerable after all.

Is globalization to blame for lost jobs in U.S.?

Stagnant or falling wages, job insecurity and persistent poverty have beset U.S. workers throughout the 1990s. While layoffs and plant closures grind down the number of well-paying union jobs, a high proportion of new jobs are nonunion, low-wage, no-benefit dead ends. Millions of people know from their everyday experience that there's a huge gap between the media's and politicians' happy talk about the economy and their own experience. And many of these people have identified globalization as *the* problem.

The very word "globalization" seems to sum up the workings of impersonal, uncontrollable market forces. Large corpo-

Chrysler workers picket after giving concessions to Chrysler: "We want it back"

rations often claim that, in order to remain "competitive," they have no alternative but to shut down U.S. plants, eliminating decent-paying manufacturing jobs. Many workers see trade deals like NAFTA as the core of the problem—a license for employers to pick up and move their jobs south of the border, leaving wrecked lives and impoverished communities behind.

Certainly NAFTA hasn't produced the 200,000 jobs in the U.S. that its boosters promised. Even supporters had to admit that five years after its passage, NAFTA had led to about 150,000 job losses in the U.S. Pro-labor economists estimate that the actual figure is closer to 420,000. In recent years, Thomson Consumer Electronics, which bought the RCA television manufacturing plant in Bloomington, Indiana, and the Swingline Stapler manufacturing plant in New York City have made highly publicized moves to Mexico, feeding the public perception of an endless stream of runaway plants south of the border.

Meanwhile, Mexico has seen a massive expansion of manufacturing, with exports doubling between 1993 and 1998. The value of auto-related goods rose from $7.2 billion in 1994 to $19.2 billion over that same period.[7] General Motors has invested heavily in parts plants and an assembly plant that builds GMC Suburbans, and the auto-parts industry employs some 500,000 workers. But it's simply wrong to view these jobs as "stolen" from the United States. European and Japanese automakers have also invested in Mexican plants in order to take advantage of NAFTA, as have electronics and textile manufacturers.[8]

What is more, some millions of jobs have been created in the U.S. since NAFTA came into effect. A closer look reveals that the great majority of manufacturing job loss is not a result of Corporate America's decision to shift production abroad under NAFTA or other trade deals. For example, one study showed that trade deficits with low-wage economies account for only about 20 percent of all job losses.[9]

Manufacturing jobs *have* suffered a net loss in the U.S. since 1980, but there have been a number of important new plants opened. For example, although the United Auto Workers (UAW) has lost about half its membership since then, there are actually slightly more workers in the auto industry in the U.S. today as the result of "transplants"—factories owned by Japanese, German and other car companies.

So what accounts for the loss of some 8 million manufacturing jobs over the past 20 years? These cutbacks are the result of management's squeeze on workers—one that has resulted in declining or stagnant wages and lousy working conditions for tens of millions of people across the U.S. whose jobs are virtually unaffected by trade and globalization. And many jobs that are "outsourced" from unionized companies go to nonunion companies based in the U.S., not abroad. Even in the economic recovery of recent years, both union and nonunion employers alike routinely hold down wages and use mass layoffs to keep workers from making real gains.

In fact, the employers' offensive against U.S. workers long predates NAFTA and the World Trade Organization. It began in the recession of the mid-1970s, when, as economist David Gordon noted, "There can be little doubt that corporations *resolved* to gain substantial ground with both unionized and non-unionized employees."[10] Following the bitter national coal miners' strike of 1977–78, UAW President Doug Fraser rightly accused the employers of breaking a "social compact": "I believe leaders of the business community, with few exceptions, have chosen to wage a one-sided class war on this country."[11] However, Fraser himself soon signed terms of surrender in the class war, agreeing to huge wage concessions at Chrysler.

The era of "concessions bargaining" had begun—backed by the threat of outright union busting. President Reagan's firing of 11,000 air-traffic controllers in 1981 spurred the employers on. By 1987, in the midst of an economic recovery, three-quarters of all contracts covering 1,000 or more workers contained concessions. For manufacturing workers, the figure was 90 percent.[12] But concessions didn't stop job losses. The United Steelworkers of America and the UAW have seen their membership cut virtually in half over the last 20 years. By 1994, *Business Week* could comment, "[O]ver the past dozen years, U.S. industry has conducted one of the most successful anti-union wars ever, illegally firing thousands of workers for exercising their right to organize. To ease up now, many executives feel, would be to snatch defeat from the jaws of victory."[13] They didn't ease up: the number of workers represented by unions fell from 33 percent in the 1950s to less than 29 percent in 1979 to about 14 percent today, despite a modest gain in 1999. Only 10 percent of private-sector workers are unionized.

The employers' offensive continued into the recovery of the 1990s. Real wages have averaged just a 0.2 percent increase per year, and companies have continued to wipe out well-paying jobs. The vast majority of these job cuts had nothing to do with imports or globalization. Rather, they were the products of endless restructuring by management to reduce costs wherever possible. Often, these cuts followed huge mergers, as when Citibank merged with Travelers Group to form Citigroup. In the 1990s, "downsizing quickly became the mainstay of all management strategies, the consistent response to whatever ailed a corporation," writes Joel Blau, author of a book on U.S. working conditions today.[14] For example, AT&T announced 40,000 layoffs in 1996. Its main competitors aren't, of course, foreign imports but nonunion U.S. rivals like MCI Worldcom and Sprint.

Clinton golfs with job killer Jack Welch

Dozens more major corporations have also taken an axe to jobs in recent years. According to the consulting firm Challenger, Gray and Christmas, there were 678,000 layoffs in 1998 and 675,000 in 1999—higher than during the recession-plagued years of the early 1990s. In the winter of 2000, Coca-Cola announced layoffs of 6,000, or 20 percent of its workforce. Xerox followed several weeks later with plan to get rid of 5,200 jobs.

What's more, these layoffs took place even as unemployment levels are at 30-year lows. As some workers are shoved out the door, management hires new workers—often for lower pay and fewer benefits. "This may sound cold, but get used to it," the *Wall Street Journal* declared. "These days, many companies are firing and hiring at the same time, dumping outmoded or redundant employees and adding new ones with very different skills."[15]

As for the millions of new jobs created in the boom, the majority of them are in historically nonunion industries and/or in regions where organized labor is weak, such as the South and West. "Ninety percent of the federation's union members are concentrated in only eight of 15 sectors of the economy, with nearly 20 percent of the membership concentrated in the metropolitan areas surrounding New York City and Los Angeles," the *Washington Post* reported. "So, as the 'new' economy gives birth to whole new industries, unions have only managed to sign up one member for every 20 new jobs created."[16]

A loss of decent union jobs, insecurity and lousy wages in the U.S., then, aren't simply the result of an uncontrollable force called "globalization" or "foreign competition." Rather, they're a consequence of Corporate America's strategy to keep workers on the defensive in order to squeeze more profits from them. The biggest companies use all the tricks at their disposal: busting unions, using technology to replace workers, instituting "teamwork" and other schemes to get workers to work harder for less, and moving production to nonunion plants in the U.S. or abroad.

Henwood summed up the case very well:

> I'm not going to deny that plant relocations to Mexico and outsourcing contracts in China have put a sharp squeeze on U.S. manufacturing employment and earnings, and the threat of those things has greatly reduced the bargaining power of U.S. workers. How much has this contributed to downward mobility and increasing stress? The econometricians say that trade explains, at most, about 20-25% of the decline in the real hourly wage between 1973 and 1994…That still leaves 75-80% to be explained, and the main culprits there are mainly of domestic origin. I'd say an important reason that trade doesn't explain more of our unhappy economic history since the early 1970s is that 80% of us work in services—and a quarter of those in government—which is largely exempt from international competition. What did "globalization" have to do with Teddy Kennedy and Jimmy Carter pushing transport deregulation, or with Reagan's firing the air traffic controllers, with Clinton's signing the end-of-welfare bill, or with Rudy Giuliani being such a repressive pig? What does "globalization" have to do with cutbacks at public universities or the war on affirmative action? While lots of people blame the corporate downsizings of the 1990s on the twin demons, globalization and technology, the more powerful influences were Wall Street portfolio managers, who were demanding higher profits—which they have gotten, by the way, which is one of several reasons why the Dow has done so well.[17]

Consider the case of Caterpillar. The maker of construction and farm equipment was, by the 1990s, the dominant player on the world scene, opening plants in Eastern Europe and Asia. In its effort to drive down costs, the company took aim at the UAW, which represented 13,000 workers in the

Delphi worker in Juarez, Mexico, has the same interests as U.S. workers

U.S. By using scab labor, the company was able to defeat two long strikes in the mid-1990s. It then stepped up efforts to move production to new plants—but not to Ukraine or Asia, where it has facilities. Instead, the company developed a network of 15 new nonunion plants in the U.S., 11 of them in the historically nonunion Southern states. Two of the nonunion plants took over the work formerly done at Cat's UAW-organized plant in York, Pennsylvania, which closed following the strike.[18]

As Henwood acknowledges, there are some jobs being shipped overseas. The acknowledged master of this kind of corporate job-killing is Jack Welch, CEO of General Electric (GE), which is often considered the world's most globalized company. "Neutron" Jack—named for the bomb that kills people but leaves buildings standing—has, since 1986, slashed GE's U.S. employment by 50 percent to 163,000, while nearly doubling foreign employment to about 130,000. In all, more than 100,000 GE jobs have been eliminated in the U.S. since 1980. These cutbacks have devastated entire communities. For example, employment at GE's Appliance Park in Louisville, Kentucky, has been slashed in half to 7,500, with the work moved to a joint venture in Mexico. "Ideally, you would have every plant on a barge," Welch once said. Now GE is demanding that its suppliers move to Mexico, too. A representative of one its suppliers, Ametek—a unionized GE supplier based in Massachusetts—took notes at a meeting GE held for its suppliers: "Migrate or be out of business; not a matter of if, just when. This is not a seminar to provide information. We expect you to move and move quickly." Even suppliers of GE Aircraft Engines are being ordered to move to Mexico, despite the fact that the division's profits are up 80 percent since 1994.[19]

Fighting the job killers

Standing up to companies that ship jobs overseas requires an aggressive approach—one that takes on management at home and overseas, rather than turning to protectionism. So besides defending the existing union jobs and seeking to organize the nonunion majority of GE workers in the U.S., the coalition of 14 unions that represents GE workers, the Coordinated Bargaining Committee (CBC), is stepping up efforts at cross-border solidarity. In 1997, bargaining included representatives from Brazilian trade unions, in an effort to get GE to sign a neutrality pledge regarding organizing. As part of the fight for a contract in the year 2000, the CBC hosted a meeting of unions representing GE workers in several different countries.

As a statement by the CBC put it, "[T]he issue is not one of 'us against them'—Americans vs. non-Americans—but rather who's job will be on the chopping block. The American job that migrates to Mexico today may go to Malaysia tomorrow and somewhere else the day after. The metaphor of GE on a barge can be supplemented with one of the 'disposable worker.' Only cross-border solidarity can maintain employment stability everywhere."[20]

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3 The studies take up the greater part of Marc L. Busch, *Trade Warriors: States, Firms, and Strategic-Trade Policy in High-Technology Competition* (Cambridge, England and New York: Cambridge University Press, 1999).

4 Winfried Ruigrock and Rob van Tulder quoted in Noam Chomsky, *Profit Over People: Neoliberalism and Global Order* (New York: Seven Stories Press, 1999), pp. 38.

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13 Quoted in Sharon Smith, "Dogs bite back," *Socialist Review*, September 1994: p. 21.

14 Joel Blau, *Illusions of Prosperity: America's Working Families in an Age of Economic Insecurity* (New York and London: Oxford University Press, 1999), p. 57.

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16 "Organized labor fights to recover strength," *Washington Post,* Oct. 12, 1999.

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20 GE Coordinated Bargaining Committee, "Building trade union power in the global economy: The CBC–General Electric strategic campaign." Available on-line at http://gecontract2000.com/global2.htm (as of May 29, 2000).