



Economic Update: Globalization from Celebration to Condemnation

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Richard D. Wolff: Welcome, friends, to another edition of Economic Update, a weekly program devoted to the economic dimensions of our lives and those of our children. I'm your host, Richard Wolff. Before jumping into today's program, I wanted to remind you that a useful companion to this program every week is the book we put out called *Understanding Capitalism*. It really takes you through the kinds of issues we raise here in the program, but into much greater depth and exploring how these are features of a system that's important to understand as a system. So if that's something that might interest you, getting more into it, getting a richer experience from this, well, then I advise: go to our website where you can find out all about *Understanding Capitalism*.

My second and final announcement has to do with a problem we're having that we want to share with you because you've been very kind to help us. There's a proliferation of fake ID's on YouTube. What I mean is videos that purport to be me but are not me, saying things and having me argue things that I've never argued and do not believe. But the likeness of me is remarkable. I guess modern AI enables that sort of thing and other mechanisms as well. You have been reporting those to us. We in turn work with Google to get them taken down. But all of that takes time and effort. Please continue to send us these sorts of things. We're trying to speed up the removal process. You can always, however, be sure if you go to four places, the DemocracyAtWork.info website, my personal website, rdwolff.com, with two F's, the Democracy At Work YouTube channel, and the Democracy At Work social media outlets. By subscribing to them, you can make sure that the videos you encounter and that we in fact produce in an ongoing way are genuine and not fakes.

Today's program is going to be devoted to a concept that has been very important globally and here in the United States for the last half century. It's the concept, it's the reality, it's something called "globalization". And it went, as I'm going to explain, from being a celebratory term, something thought of as wonderful and beneficial and just the greatest thing, to now becoming almost a disaster term. Something which in significant parts of the United States is used as a curse word, calling someone a globalist from President Trump on down has been used to insult people, to attack them. So what happened here? What is the story of globalization? And I'm going to go through it with you because I think it sheds important light on where we are right now.

Okay, let's begin. It became an important term mostly in and since the 1970s. That's why I say it's half a century old. In the early years of the 70s and 80s, it was a term often used to describe the remarkable growth and expansion and freedom enjoyed by American and other corporations as they ventured out of their places of origin – Western Europe, North America, Japan – and moved in a massive way all over the world. This wasn't the old colonialism imperialism where those countries took over other parts of the world. No, it wasn't that. Globalization meant no disrespect to other countries and their national sovereignties, but rather a wonderful mutually beneficial integration, you might say, of the world economy. Production would now be worldwide. Consumption would now be something where we use goods and services made all over the world, and it would be much more efficient than just relying on a few domestic sources of production.

Those were the years where we learned that an automobile doesn't have to be here in the United States to afford a Chrysler or a GM car, it could be a Volkswagen, it could be a Toyota, it could be a country other than the United States producing it. It's when we learned that the TV might still say "General Electric" on it, but that wouldn't mean it came from the United States. It would just mean that General Electric had moved its production of TVs out of the United States to another part of the world. And we were told this was wonderful because it was creating a genuine world economy, which in a way it was. It was a very particular kind of economy, as you're going to see, but it was a world economy, and it was celebrated as if this were some wonderful natural growth that we were all enjoying together.

We were producing a world economy more genuinely worldly than any economy had been before. It was celebrated and justified by a very interesting argument. Here's how it went. The corporations would admit, the ones who led this process – remember, it's corporations who had to make the decision to buy something from abroad rather than to buy it from some producer inside your country. It was the corporations who decided to close a factory in Cincinnati and open it in Shanghai, to close it in Chicago or Bingham to New York and open it in India or Brazil. Corporations made these decisions, and of course there was already at the beginning noise of criticism, arguments against, and the most obvious one was that when a factory closed in Cincinnati and reopened in Shanghai, that was good news for Chinese people who got jobs in Shanghai, but it was not good news for Cincinnati, not for the workers who lost their jobs, not for their families, not for the little stores that depended on those workers having money with which to buy a coffee or to get a beer or whatever.

And they began to say something, these laid-off workers. So the corporations came back quickly and they made this argument: Globalization is something everybody should support because, yeah, maybe a few people will lose their jobs – it was never a few – but we'll all benefit, even those people, because by going abroad, we corporations will be able to get the work done at a much lower cost. Why? Because the wages are much lower out there in China or India or Brazil. Much lower. So we'll be able to produce the goods. And the wages are so much lower, and those countries are so eager to have us come there and provide jobs for their people, that they're giving us all kinds of extra deals, making the cost of production cheaper. And it's so much cheaper that even when you add the cost of bringing the goods produced in China halfway around the world back here to the United States – you've got to pay for that – even when you have to pay for the transport, it'll still be cheaper.

And you know it might have been. But of course, if you lower the price, because the cost is lower, then where's the profit for the company? Which just spent a fortune moving the factory from Cincinnati to Shanghai, which did that because it wants more profit, not to help the rest of us. Let's be real. So they didn't drop the prices. Which is why you haven't noticed prices going down, have you? Prices mostly go up. So it turns out that the corporations were celebrating something that was very good for them – globalization – but not for everybody, not at all.

And now I want to focus a little bit on who lost. You never heard about the losers of globalization. The corporations were making so much money, they wanted the drum beat to be positive, positive, positive. It's wonderful, it's wonderful. Professors wrote glowingly about it. Politicians, Republican and Democrat alike, celebrated it: Isn't this wonderful? Everybody took the press release from the corporation, rewrote it a little, and said it all again. So the people were overwhelmed. The media, the business leaders, the political leaders, the academics. Everybody celebrated globalization. Nobody wanted to hear too much about those who were hurt.

And who were they? Well, let's think like economics people do. The greatest incentive to move out of the United States, to move your factory or your office out, was to go and save the most money. In other words, the jobs you shut down in the United States were the ones that required you to pay the highest wages. Because if you could replace that high wage worker American with a foreigner overseas, that'll be your biggest gain. So who got hurt the most? The manufacturing industry in America. Why? Because in manufacturing, the American working class had done the best. Manufacturing was much more organized into unions than service workers were at that time in the 70s. Wages for manufacturing workers were higher than wages in the service sector. The very success of the manufacturing working class in America, getting good job conditions, getting good unions, getting good wages, made them the most attractive workers for their bosses to lay off, to replace with cheap workers.

So when the factories left, here's what happened. The people who occupied the best waged jobs in manufacturing were hurt the most. And who were they? Well, they were everybody, but a particular group singled out: white male Christian workers. They were the top of the heap. For all the reasons good and bad of American culture, white male Christians were the best paid workers in the working class. So they became the target, and they lost their jobs. Nobody much wanted to hear about it, but now you understand what was going on from the 1970s right up until 2010, 2015, when the number of people hurt became so big and their hurt so heavy that the situation changed radically. We've come to the end of the first half of today's program. When we resume in a moment, I'll continue and show you what the backlash to globalization was all about.

Before we jump into the second half of today's show. I wanted to thank you for your very generous response to our fundraising efforts this year and in particular in the last couple of months. And in part responding to that, we are extending the availability of our limited edition linen covered hardcover version of *Understanding Capitalism*, the book I wrote, and that we have been making available now for quite a while. If you are interested, I will be signing copies of that hardcover, and they will be available to you as they have been over the last few weeks. Just simply send an email to us at info@democracyatwork.info and put in the subject line "Limited Edition". We will send you all the information you need to order and receive your copy, signed copy of *Understanding Capitalism* in its hardback. And thank you again for your kind attention to the fundraising dimension of what we do.

Welcome back, friends, to the second half of today's economic update. This is a program devoted to globalization, and in the first half after telling you what it was about and who pushed it and what was hidden, if you like, by it, I now want to turn to what happened over the years in which the world economy experienced this explosion of corporations, not just American, but Western Europe and Japanese, a developed capitalist world moving much of its productive activity into what we used to call the Third World – China, India, Brazil leading the pack, but also other countries. I want to take you back to where we ended up in the first half, with the losers, the people who lost their jobs because the manufacturing of America, the industries of America were gone. And by the way, you and I, we all knew it. We all noticed that the clothing we were wearing was saying made in virtually anywhere but the

United States. Countries whose names we barely could pronounce were making our underwear and our socks and our shoes. The toaster in the morning, yep, made somewhere else. The automobile, as I mentioned to you, the TV, as I mentioned to you. The Levi's Jeans we were wearing, if you look closely, were made abroad, etc., etc.

So we knew, but the globalization kept us thinking, oh, this is supposed to be really good. But you couldn't say that to the industrial workers, particularly the white male Christian ones who had been at the top of the heap in the working class and were now suddenly at the bottom. Yeah, I'm talking about the machinist who has to take a job as a greeter in Walmart. I'm talking about the skilled worker who's now doing one of those phone call jobs where you try to hustle people out of their money in some semi-honest way. And I'm being kind here, you all know. Well, the white male working class asked for help. They asked their political leaders, logically. They asked them when they were Republicans, they asked them when they were Democrats. It didn't matter. They wanted help. They got none. Those leaders were all happily spewing globalization nonsense, rereading and rewriting the press releases flowing out of the corporate headquarters.

And they became bitter, these workers. It was pain for them. They had promised their families the American dream. You know, the story that if you study hard and are a good student and work hard and learn a skill and take a job and apply yourself to it, well then you'll have a family, you'll have some children, a nice car, and an annual vacation by the lake. And they weren't going to be able to afford these things. Not even close. The husbands had to explain that to their wives. Over these years, many of those wives had to go out and get a job, too. No way the family could sustain its standard of living. And that wasn't enough either, because when the wife goes out and works the same hours the husband does, they probably need a second car. They have all kinds of new expenses. So we all know what the American family did between 1970 and 2010. It borrowed more money than any working class ever had in any country. The last 50 years of American capitalism sit on a mountain of debt. And in 2008, as you all know, it blew up. As we all should have understood it would. A lot of suffering, not just when it blew up, not just when millions lost their homes because they couldn't make up their mortgage payments. We've had real pain in the American working class.

And so it did something that surprised many, but shouldn't. It began to look for somebody, anybody who would help them. The established Republicans and Democrats didn't. The media wouldn't. The academics seemed not to notice them. And along came some politicians from the right wing of America, and said, in the person of Mr. Trump: "I hear you, I see you, I feel your pain, and I'm a different politician. Look what I say and how I act. And you may not like this or that, but I'm different. And I'm going to be the champion of all of you angry, white, male, Christian workers who've gotten screwed and you're angry. And one of the first things I'm going to do is I'm going to explain to you how you got screwed. And you know who did it to you? Immigrants. That's right. All those people invading our country, taking over our jobs, pushing you out of your job at the factory that you wanted to keep, that you were skilled at performing. No, no, instead, jobs are now going to immigrants. And why?

Because one political party, the Democrats, brings in immigrants to beef up their voter registrations. You see, it's a conspiracy. We don't need any of this. And you know what else is to blame? Globalization". Oh, really? We thought that was great. "No. You know what globalization has really meant? The whole world is taking advantage of us. The whole world is ripping us off, country after country, factory after factory. They shouldn't have gotten us to go over there yet somehow they did that". Mr. Trump very rarely has much to say about how it all happened. I'll get to that in a minute.

But blaming the foreigner – whether it's a dirt poor immigrant coming in like Americans have been for the last two centuries, or like it's some nameless, faceless foreign bureaucrat ripping us off – was a nice story. "Elect me", said Mr. Trump and the right wingers like him. And we shouldn't be surprised that it all went to the right. For the last 75 years, we've lived in a country that demonizes the left. Socialism, communism, all of those things about which Americans learn very little is the "evil other that we're to keep at bay". So if people are upset with the status quo, they don't think about going to the left. Because the left has been demonized. They think about going to the right. They think about following a billionaire from New York who promises everything.

And for those of you who think that there's something natural here, there isn't. When capitalism really collapsed back in 1929 you know where the working class of America went? In reaction to that that hurt them so badly? I want to remind you, 1933 unemployment rate in this country, 25%. Every single family in America had unemployed people in it. Where did the American working class go? Sharply to the left. They joined labor unions. Millions of people did that, creating the CIO. And how did the CIO work? Together with three other organizations that people joined in huge numbers. Two Socialist parties and a Communist party. And they all worked together. And in the period of the 1930s, they created the modern labor movement. They got Mr. Roosevelt, the president, to create Social Security, which we never had before. A minimum wage, which we never had before, unemployment compensation, which we never had before, and a federal jobs program employing 15 million unemployed people, which we had never had before. Don't tell me American workers have to go to the right, not at all. They're doing it this time because of "wow, globalization" worked. It made a ton of money. Because when they went abroad, they did pay much lower wages. They did get the goods produced. And they had them shipped back to us, which is why our homes are full of goods made elsewhere. And they made a fortune. And the profits went crazy. The American stock market zoomed. And we were told, see how wonderful globalization is? 10% of Americans own 80% of the shares. A booming stock market is good for 10%, not for the other 90%. Unless, of course, you believe that if it's good for the top 10, it'll all trickle down. Well, you know, we're worried because a trickle hasn't happened. The bottom 90% are in deep trouble right now. You know that somewhere. But Mr. Trump leads the way. "Globalization is terrible".

Now, why is that? Well, the truth of it is that the rest of the world has caught up with the United States, and parts of the world are surpassing the United States. And they're out competing the United States. And that's partly the result of that very globalization. China, for

example, welcomed American companies to move over there. They said, we'll let you have low wage workers. And we'll let you have all that you need to produce here. And we'll let you sell into the Chinese market, which is a bigger, faster growing market than you have in the United States. But you got to share with us the technology. They got that, and they ran with the ball, and now they're outrunning us.

So Mr. Trump, in denouncing globalization, is coming up with an alternative. Here we go. Ready? "America First" – what is called economic nationalism. We're going to tariff everybody and block them. We're going to demand that they come back to the United States, and we're going to get rid of all the immigrants. Look at it. Friends, if you fall for this, you will be making exactly the same mistake as we made with globalization. This is not a program that everybody will benefit from. It's a program that helps the same corporations, the ones who globalized and made a fortune and hurt the working class, are now proposing to reverse the game – "America First", tariffs, isolate us, expel the immigrants. They tell us it's what we need. It isn't. It's what the corporations need. Because they can't compete very well anymore. They've lost it. They've been outmaneuvered by the Chinese and Indians and Brazilians who are making this stuff better or cheaper or both. Don't be fooled. What you get in a capitalist system is what's good for the capitalists. That's why you got to change the system and no longer be fooled by promises that are thin veneers for the profit driven system you and I know capitalism was and is. Thank you for your attention, and as always, I look forward to speaking with you again next week.

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