Congress Debates the Way Out Of Evils of 'Globalization'

House Ways and Means Chairman Charles Rangel (D-N.Y.) convened the third of a four-part hearing series on the economy on Jan. 30, this one focussing on trade and globalization. As at the first hearing, *EIR* was invited to provide testimony, which was stamped "For the Record," and "Full Committee Has Copy," This meant that the testimony was available in over 200 copies for those in attendance, and given in advance to the 80 Congressional members and staffers of the committee. *EIR*'s testimony was the only testimony to demand an end to globalization entirely, with a bold title, "Globalization Is the New Imperialism—Don't Try to 'Improve' It, Bury It!" Restore National Interest Policies." The comments of several members of the committee made clear that a number of the Congressmen had read it, and keyed their questions directly from it.

"Expert" witnesses on the panel included Gene Sperling, from the Clinton Administration, now Director for Universal Education at the Council on Foreign Relations; Lawrence Mishel, president of the Economic Policy Institute; Harold McGraw, head of the Business Round Table and the Emergency Committee for Trade, New York; and several professors and corporate executives. Most of the questions were directed, especially by the Democrats, to Sperling and Mishel.

This hearing, much more so than the prior hearings, heard many Congressmen describing in gory detail the loss of manufacturing jobs and collapse of living standards in their districts. At least four members of Congress directly went at the content of the *EIR* testimony. Most direct was Rep. John Larson (D-Conn.)— whose question was "What do you think about a permanent WPA [Works Progress Administration, part of Franklin Roosevelt's New Deal]—to create jobs for infrastructure? And if you agree with a permanent WPA, how do you pay for it?" Sperling did acknowledge that we have to "put infrastructure back on the table," and also that "spending is not always bad." Larson continued by asking about financing infrastructure and a permanent WPA through a transactions tax, a value-added tax, or other measures. Larson also argued that infrastructure is tied to our national security and national productivity.

Rep. Bill Pascrell (D-N.J.) reiterated his comments from the previous hearing, that the United States must have a mnaufacturing policy; that in the Hamilton vs. Jefferson debate, the Founding Fathers had decided that we could not be simply an agrarian economy, but had to develop our manufacturing. He cited Article I, Section 8 of the Constitution, concerning the Constitutional role of the Congress regarding matters of trade, currency, and commerce, and reminded all the Members that he, and they, had all recently reaffirmed their Constitutional oaths of office. He also cited the *Federalist Papers* as the organizing drive associated with Alexander Hamilton's policy on manufacturing. Pascrell cited national security concerns, saying that if the United States were in fact attacked, we would not have sufficient means to produce to protect ourselves: "We cannot even produce armor any more in the U.S."

Several Members went through the details of the loss of manufacturing in their districts:

Stephanie Tubbs-Jones (D) of Cleveland, Ohio was probably the most dramatic. She cited an official unemployment rate of 13.6%, and the loss of 60,000 manufacturing jobs in Cleveland just over the last six years under the Bush Administration. She also blasted the approach of providing TAAs (trade adjustment assistance for those who lose jobs due to free trade and globalization), saying, why not do something to stop the job loss?

Representative Pascrell described a situation right outside his district, at Martell Paper, which is closing its doors; and the number of people who cannot hold onto their homes, or their lives. He concluded by saying, *"What has happened to manufacturing in this country is sinful and immoral."*

Rep. Richard Neal (D-Mass.), who is head of the Machine Tool Caucus in the House, described the situation at the plant in Springfield, Mass. which produces the Sears ratchet—the best in the world—which is now closing their plant. He and all the other Democrats made the point that the plants can be the most productive and efficient in the world, produce the best product, that the workers "do their part," and yet through no fault of the workers or the plant management, these places are closing their doors.

Rep. Earle Blumenauer (D-Ore.) cited the danger that manufacturing is in decline everywhere in the world, even in China, and demanded of Chairman Rangel that the United States invest in infrastructure, to create "high family value wage jobs."

The last Congressman to speak, **Rep. Arthur Davis** (D-Ala.), discussed the Mexico situation as a result of the North American Free Trade Agreement (NAFTA). He pointed out that free trade and globalization had destroyed Mexico, and asked the speakers to document how many jobs had been lost as a result of globalization. He also explained that this is the

only way to understand the immigration crisis—that we have destroyed jobs in Mexico, forcing the population to come to the United States for work.

EIR Testimony

Dump Globalization To Save the Nation

This testimony was submitted by EIR *News Service to the Hearing on Trade and Globalization, held by the Ways and Means Committee of the House of Representatives on Jan. 30, 2007. The testimony, titled "Globalization Is the New Imperialism: Don't Try To 'Impose' It, Bury It! Restore National-Interest Policies," was prepared by Marcia Merry Baker,* EIR *Economics Editor.*

Dear Chairman Charles B. Rangel, and other Honorable Members of the Committee:

We fully support your opening of the work of the 110th Congress, by holding a hearing series on the economic conditions of the United States; and in that spirit, we respond bluntly to your questions for this third hearing—on how to identify the "successes" of globalization and improve its "benefits"—by stressing this one central point: *Globalization has been a raving success for those financial interests who imposed it over the past 40 years; and a disaster—as they intended—for the nations and peoples that are being looted.* Therefore, it should be stopped—*not* improved or adjusted to. So-called free (rigged) trade must be stopped, and a set of monetary, foreign policy, and economic measures initiated for the mutual benefit of building up nations again.

"Too late? Can't be done?" Not at all. The popular groundswell for "fair" trade, not free trade, and for curbing the "excesses" of globalization, is evident across the United States. Just look at the many articles and books by your fellow Congressmen on the topic. The Nov. 7 election results are a mandate to end the globalization disasters of the last three decades of GATT/NAFTA/WTO "free trade democracy," and all the other variants. Internationally, a rush of support is awaiting any Congressional initiative in this direction, even for the most preliminary measures. It would signifiy that the United States is returning to sanity and its founding principles.

Secondly, we have no choice but to confront the real nature of the menace involved in globalization. We are at a blow-out stage of the world monetary and financial system. The unprecedented volumes of speculative activity—mostly denominated in U.S. dollars—are at the point of chain-reactions of non-payment. Look at the bursting of the home mortgage bubble, the commodities prices volatility, the frenzied hedge fund takeovers of economic activity, the privatization-grab for government infrastructure assets, not to mention gambling, otherwise known as derivatives.

'Globalization, The New Imperialism'

"Globalization, The New Imperialism," was the title of a policy document by Lyndon LaRouche in October 2005, which was a forewarning, to provide policymakers the means to understand what we're up against. (See www.larouchepac.com, "A Strategic View of European History Today: Globalization, The New Imperialism.") The United States and other republics would not exist today, if in the 1700s, the leaders of the American colonies, and their European allies, had decided to lobby to merely "improve" the conduct of the British and Dutch East India Companies, rather than to break from their imperial control. (In historical fact, the British East India Co. itself backed fake "popular movements" to plead with the Company to not overcharge for goods, to go easy on slaves, and to provide chaplains on commercial missions, etc.)

Unfortunately, these networks were not trounced in the American Revolution, and have attempted to re-gain dominance at many times since. Today, the particulars may be different from the 18th Century, but there is a continuity of both the nature of imperial control, and even of the pedigree of major financial interests involved, whose practices are called by economic historians, "Anglo-Dutch liberalism." LaRouche warned in 2005:

"The long-ranging drive of the Anglo-Dutch Liberal financier-oligarchical establishment, over the post-Franklin Roosevelt period of world history, has been to destroy the institution of the sovereign nation-state republic throughout the planet, an intention which has been turned loose, full force, with the collapse of the Soviet system. The name given to this global destruction of sovereignty of nations, including that of the U.S.A. itself, is 'globalization.'

"The systemic characteristic of this transformation, most clearly since the middle to late 1960s, has been the destruction of the so-called "protectionist model" of the U.S. economy. The intent has been, including from the government of the U.S.A. itself, to destroy the role of the U.S.A. as a sovereign nation-state, by destroying the so-called 'protectionist' system on which the superiority of the U.S. economy to that of other parts of the world had depended, prior to the 1971-1982 transformation of the U.S. into the presently bankrupt 'service economy' rubbish-bin it has become. The intent of globalization is to make the poverty of the so-called 'developing sector' permanent, by degrading the physical economies of the Americas and Europe to the notoriety of 'Third World' conditions, and by making 'Third World' conditions the standard for economy world-wide."

From this vantage point, we here provide summary documentation and references to back Congressional action to end

the globalization era, under three main points:

- history of the imposition of globalization;
- review of the damage from globalization;
- emergency measures called for.

Globalization Was Imposed, Not 'Evolved'

At the 1944 Bretton Woods conference, which set up the post-WW II financial system, a proposal to establish an ITO—International Trade Organization—was voted down. This reflected the prevailing principled view that trade between nations was a prerogative of sovereign governments to determine what was in their mutual best economic interest, and not that of either supra-national agencies, nor private multinational financial interests. Over the subsequent 15-20 years, this principle continued, despite exceptions and assaults, as post-war reconstruction took place, new nations gained independence, and the prospects for a vast advance in economic conditions globally were indicated in the "Atoms for Peace" program, to harness nuclear power.

The original goal of Franklin Delano Roosevelt, for a post-war "International New Deal" for deliberate multi-nation collaboration on infrastructure and rapid economic development was thwarted, because of direct opposition through the Truman Administration. But there was still a vector of development underway until the mid-1960s.

However, by the 1970s, this dynamic had been seriously undermined by the opponents of national sovereignty and development. In brief: In 1971, the dollar was "floated," which ushered in the era of increasing uncertainty from fluctuating currency exchange rates and speculative activity, amounting to a World Casino. **Figure 1** shows that over two decades, the volume of currency exchange associated with trade in goods collapsed, in contrast to exchange associated with speculation.

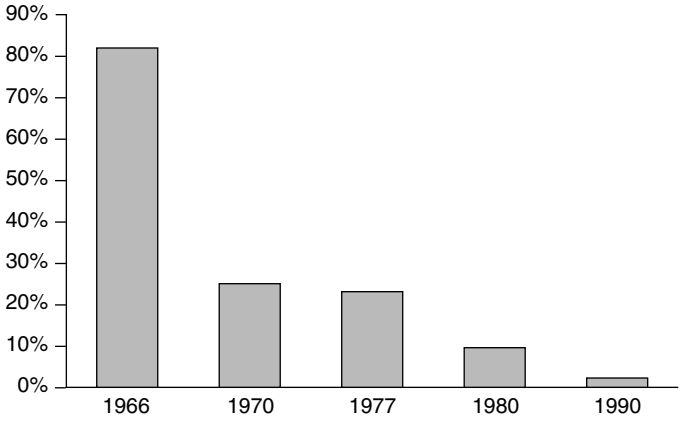
In the United States, deregulation was launched in all manner of vital functions—trucking and rail, health care (1973 was the first HMO act), and energy, culminating in Enronomics. In the 1980s, Margaret Thatcher's Britain became the world model for radical privatization and deregulation. In 1986, with the "Uruguay Round" of the U.N. General Agreement on Tariffs and Trade, a Thatcher-type campaign was launched to "reform" the entire world farm and food systems by taking away "trade-distorting" practices such as tariffs and national food reserves.

The sophistry of the GATT globalist movement was shown in its slogan, "One World, One Market" to argue that citizens of every nation had the "right" to access their food and all other needs directly from world sources, not from the "confines" of their own nations. "Borderless" free trade was the goal across the board for banking, labor, industrial and agricultural goods and services, and especially access to minerals and natural resources.

In January 1988, the Canada-United States Free Trade Act was signed. In 1992, NAFTA was concluded. In 1995 the World Trade Organization was established. During this process, when Germany was re-unified in 1990, the "free trade" movement was imposed on it, as well as on Russia, and other parts of the former Soviet bloc.

FIGURE 1

Falling Value of U.S. Merchandise Trade as a Percentage of U.S. Foreign Exchange Transactions, 1966-90



Sources: Bank for International Settlements surveys (1986, 1989, 1992); U.S. Federal Reserve surveys (1977, 1980, 1983); GATT.

In the course of all this, a "blob" of cartels and multinational financial networks positioned themselves for near-total control and killer-profiteering. In 1968, this was described explicitly as a *"world company" project,* by George Ball, a former Undersecretary of State, and Chairman of Lehman Brothers, in a speech to a conference of the Bilderberg Society, on whose steering committee he then served. Ball gave an outline of how the archaic nation-state system should be replaced by globalized corporate cartels.

The "names" associated with this process indicate the networks involved. Lehman Brothers itself, along with Lazard, are foremost entities, and have been in the forefront of the sell-off of the U.S. auto/machine tool capacity and other industrial assets, as well as infrastructure rip-offs through what's now politely termed, "Public Private Partnerships." The poster boy for this process is Felix Rohatyn, long at Lazard, and now a top consultant for Lehman. Also in the line-up is George Shultz, direct collaborator of Rohatyn et al. One view of how the networks operate, is provided by John Perkins' book, "Economic Hit Man."

This gang is now under scrutiny for their global equity fund and hedge fund frenzy of LBO grabs of companies, whose operations are then indebted, downsized, and ruined.

Below Economic Breakeven

The net effect on the physical economy, of the years of out-sourcing industry, "global-sourcing" food supply, and all

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After three decades of globalization, the United States is dependent on food imports for 30-80% of various consumption items, and former farm counties are experiencing drastic population reductions. Much of the U.S. food imports come from Third World countries that use labor-intensive techniques, as does this Chinese farmer.

related hallmark practices of globalization, has been a *net reduction of productive capacity and living conditions* overall, so that the world economy as a whole is way below even a breakeven threshold of required activity. Specifically: shutting down manufacturing and farming in the United States, and relocating it abroad to cheap labor and low infrastructure sites, causes harm and a *net reduction* in productivity in all nations involved. Look at some of the features of this, sector by sector.

Industry: There has been an absolute loss of 5.5 million U.S. manufacturing jobs since 1979—including elimination of nearly half the employment in the aerospace and auto industries, the two major machine-tool reserves of the economy. The re-employment of contingents of these former manufacturing workers at less-skilled, lower-wage jobs has lowered the productivity of the American workforce. U.S. consumption of machine tools is now only 60% of the 1980 level, and 60-70% of that consumption is imported machine tools.

What remains of global industrial capacity is now being concentrated in fewer and fewer hands, for example, the Mittal Steel empire, part of the Anglo-Dutch imperium. Steel and heavy industrial goods—measured on a per capita basis of consumption, are declining.

Agriculture: The United States is now food import dependent for 30 to 80 percent of various consumption items, from fruits and vegetables to seafood, even while its former farm counties are experiencing drastic population reductions. On the continent of Africa, food availability per capita is declining. Expected life span itself is dropping in Sub-Saharan Africa. A very few agro-cartels now exert vast control of global food supply lines, including such names as Cargill, Archer Daniels Midland, Bunge, Louis Dreyfus, as well as Smithfield, Suiza and others. International retail food sales are now dominated by Wal-Mart, Carrefour and a few others.

Population: Millions of people are being dislocated by the takedown of national economies. In the United States, there are 12 million Mexicans who would otherwise be in their homeland, but for the free-trade breakdown process. The nation of the Philippines is dependent on remittances from its citizens who are forced to seek work abroad. This is true for all of Central America. In Africa, the refugee population is in the millions. The population of Russia is declining in absolute numbers.

Biological Breakdown: With the decline in infrastructure over the past years—water, power, transportation, health care—the rise of new and resurgent diseases now poses the threat of biological holocaust. This is typified, but not confined to avian flu, or to the new strain of "super"-tuberculosis, now spreading in southern Africa.

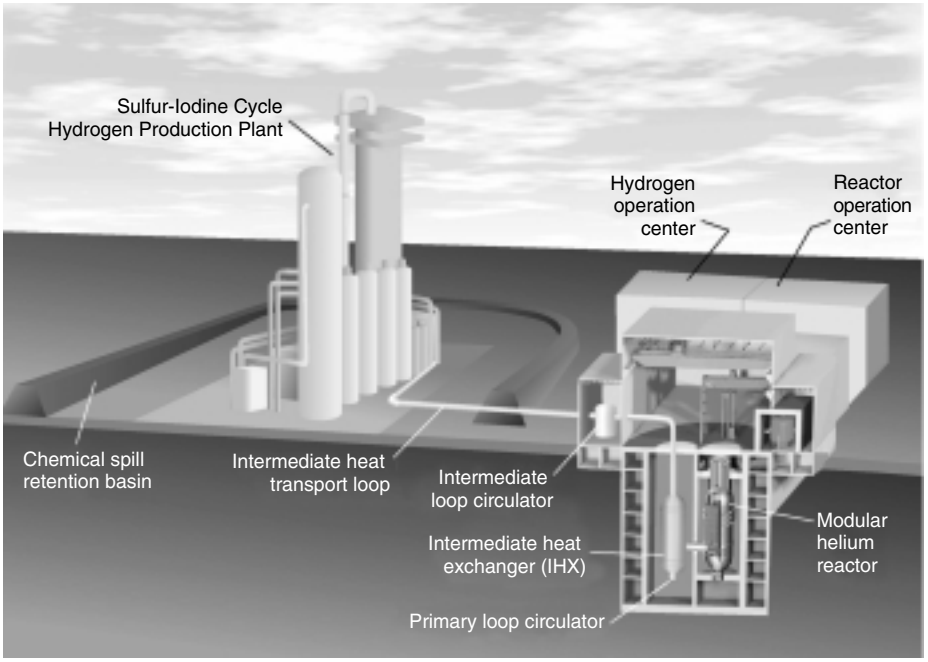
Food shocks are also in store, because of the absence of food reserves, and contingencies for botanical pests. A new wheat rust is making its way from eastern Africa, across the Arabian Peninsula, eastward toward the Indian subcontinent, on a spread-path potentially involving 25% of global wheat output. The reason for the danger is that in recent decades, resources were not put into having stand-by resistant wheat varieties, but instead, private agro-companies came to dominate seed development—including gaining sweeping patent rights—for their own purposes of control and furthering monoculture.

Emergency Measures: The FDR Paradigm

These then, are just a few elements of the "Big Picture" of how far gone we are under globalization. No fix-ups will work, of labor standards, environmental codes, or the like. Emergency action is required. In brief, three are two main areas for legislative initiative. First, to stabilize currency exchange, and put in place measures to prevent insolvencies causing out-of-control shutdown of vital goods and services activities. In particular, the Federal Reserve banking system—with trillions in unpayable claims of derivatives and other "assets"—is bankrupt; and government action is required to place the Federal Reserve under bankruptcy protection and re-organization, in order that required levels of banking function are maintained and obligations honored, but claims equivalent to gambling are frozen at lowest priority.

Going along with this, is the need to initiate nation-to-nation agreements for mutually beneficial fair trade, and to call a halt to the harmful "free trade" commitments and flows. Roll-back the free trade agreements completely.

Secondly, for both domestic and state-to-state economic



General Atomics

This fourth-generation nuclear power design couples a high-temperature helium reactor, the GT-MHR, to a sulfur-iodine cycle hydrogen production plant. Nuclear power is vital for desalinating seawater, and for providing local generation of hydrogen-based fuels.

activity, initiatives are needed to further large-scale shifts away from the so-called "services economy" model, and shift into a capital-intensive production model, for all national economies. For the U.S. economy, draft legislation has been provided to your Committee, in testimony for your Jan. 23, 2007 hearing, called the "The Economic Recovery Act of 2006."

What is involved most simply, is to take a "capital budget approach," in which the Federal government initiates low-interest credit for priority national infrastructure projects, to be carried out by private contractors. The precedents are clear from the FDR period. And today, the range of infrastructure required is also crystal clear—as described, for example, by the American Society of Civil Engineers. Dams, bridges, new health facilities, ports, water treatment and conveyance, and as the centerpiece: high-tech railroads and advanced nuclear power.

Gearing up to fulfill these infrastructure projects generates the need for millions of new skilled jobs, and for re-tooling, restoring, and expanding the U.S. machine tool/manufacturing capacity.

A detailed policy document on this process is available: "What Congress Needs to Learn: The Lost Art of the Capital Budget," Dec. 22, 2006, by Lyndon LaRouche. (Available in EIR, Vol. 34, No. 2, Jan. 12, 2007, on www.larouchepub.com.)

Science Driver

In summary, the program that is now required to bury globalization can be accomplished by a "return to the kind of thinking associated with a 'fair trade,' rather than 'free trade' economy." LaRouche describes this as, "thinking about physical and financial capital as we did under Franklin Roosevelt.

"The principle on which the success of such a program depends, is the principle of fostering the increase of physical productivity, per capita and per square kilometer, through science-driven technological progress in the improvement of the productive powers of labor. This means technological progress as expressed by emphasis on a science-driver economy of the type which brought the U.S. and its allies to victory over Hitler et al. in the preparation for, and conduct of World War II.

"Against the customary carping critics of such measures, consider the following.

"Had Franklin Roosevelt lived, the freeing of the world from the imperial legacy of colonialism and the like, would have created a vast capital market for the products of a converted U.S. war production buildup, the reinvestment of the war debt margins in new capital formation, here and abroad, although it would have been associated with the combination of a temporary austerity, but a healthy accumulation of real capital. . . ."

Now, over 50 years later, we face the severe depletion of our capital stock after three decades of globalization. But the principles of "FDR thinking" still apply. If we take the right emergency measures during the transition, we can drive the economy ahead through resuming the science associated with nuclear power—the "fourth generation" (high temperature) reactors, the R&D to harness fusion power, and the entry into an "isotope economy" of man-made "natural" elements to overcome exhausted resources.

There can be life after globalization, better than ever.