

America the triumphal

Why not everyone will buy the U.S. version of free market ideology. BY MARK WILLIAMS

The Lexus and the Olive Tree
Understanding Globalization
By Thomas L. Friedman
394 pages, \$28
Farrar, Straus and Giroux

*The Return of
Depression Economics*
By Paul Krugman
176 pages, \$24
W.W. Norton

Juárez
The Laboratory of our Future
By Charles Bowden
135 pages, \$35
Aperture

IN THOMAS L. Friedman's *The Lexus and the Olive Tree*, a Japanese robot factory making Lexus automobiles stands for technological globalization, the olive tree represents local historical identity—and our future depends on the balance struck between these elements. Mr. Friedman, the *New York Times* foreign affairs columnist, has a big and simple theory about globalization. Free market capitalism, he maintains, requires rule of law, financial democratization, transparent accounting, deregulation. In countries where these aren't established, when the "electronic herd" (as Mr. Friedman describes all that capital electronically circling the world, whether it belongs to banks and funds or to day traders) loses confidence, it takes flight. Hence last year's economic

crises in Asia, Russia, and Brazil. Nation-states are thus still relevant under globalization, Mr. Friedman claims: governments must create the favorable conditions required by global capital.

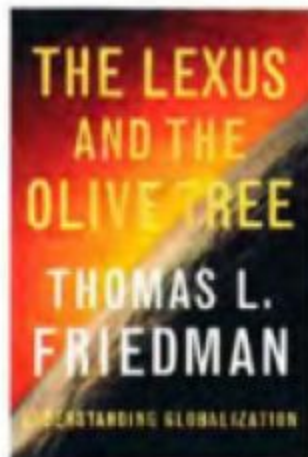
HEGEMON HOG

His metaphor for these conditions is civil software, or "DOScapital," and he grades countries according to which version he reckons they're running; the United States is DOScapital 6.0. Readers must also contend with MIDS (Microchip Immune Deficiency Syndrome), globulation (globalization-imposing disciplines that a nation can't generate internally), and the Golden Arches Theory of Conflict Prevention (Mr. Friedman's insight that "no two countries that both had McDonald's had fought a war against each other").

In *The Lexus and the Olive Tree*, globalization is synonymous with Americanization. "America truly is the ultimate benign hegemon," Mr. Friedman declares. He is aware of the difficulties of this position. The book imagines a conversation in which President Assad of Syria says, "You know what really bothers me about you Americans—you want to have it both ways all the time. You want to lecture everyone about your values, about freedom and liberty, but when those values get in the way of your political or economic interests, you just forget about them." But as an Amer-

ican, Mr. Friedman nevertheless wants it both ways. He desires deregulated competition among developed and undeveloped countries, for instance, but not a world where "the poor are left to the tender mercies of the marketplace."

In this regard he resembles most of us. In the United States, even strident advocates of unchecked markets forget that classic competition used to mean an irreducible minimum of suffering. Nowadays, we're rich enough and have apparently calibrated matters sufficiently to achieve both a maximum of the markets' efficiencies and a social safety net. We have a regulatory system that checks and balances well. When economic blips show up, we have Alan Greenspan and the Federal Reserve fine-tuning the money supply in a fashion that Keynes himself would have admired.



CAPITAL OFFENSES

But this isn't the ideologically pure version of free market capitalism—of DOScapital, in Mr. Friedman's formulation—that we're urging upon emerging nations. Maybe Microsoft, in imposing its standard, believes that it's a "benign hegemon," but the company isn't fatuous enough to deceive itself that it is necessarily loved. Neither can America impose DOScapital on everyone else and expect that it'll be seen as a good guy. To the extent that globalization comes to be perceived simply as Americanization, the United States will be viewed as forcing it down everybody else's throats.

Furthermore, this attractive story—that America has the ultimate

market-oriented democratic program, and other economies will just have to get with it—ignores many facts. But populist economics seems to breed assumptions that may, unsupported or contradicted by observable data, retain believers for decades.

A short book from the MIT economist Paul Krugman, *The Return of Depression Economics*, asks some lucid questions about globalization. If the Asian economies simply got what they deserved in the 1998 market collapse, why did countries at such disparate levels of development—Korea, say, with per-capita income comparable to that of a European nation, and Indonesia, where progress remains measurable by how many calories individuals eat daily—hit the ropes together? Why, since “crony capitalism” was decades old in Asia, did it become critical only after a few bad real estate loans and a botched devaluation in Thailand? How useful is moralizing when good regimes with market-oriented policies—Brazil, Hong Kong, and Argentina—were also pummeled by investor flight? And weren’t the Asian crashes just speculative bubbles that burst, like the U.S. savings-and-loan crisis in the ’80s? Could there even be any practical policy fixes besides what’s been attempted by the International Monetary Fund (among others)? Given that the U.S. stock market may be undergoing a classic speculative bubble, should we worry that if it can happen to Japan, it can happen to us?

STATIC CLINGING

Mr. Krugman’s point is that “[e]conomic analysis is not...supposed to be a set of rules to be followed on all occasions; rather, it is supposed to be a way of thinking, something that allows you to craft new responses to an ever-changing world.” But in America the virtue of free capital markets is the only story that we want to hear.

THE RETURN OF DEPRESSION ECONOMICS



PAUL KRUGMAN

Another story needs notice. Published in 1998, *Juárez: the Laboratory of our Future* collects pictures by Mexican photographers, with text by the American journalist Charles Bowden and a preface by Noam Chomsky, MIT’s famously radical professor of linguistics. Juárez shows how far the triumphalism of the free market faithful is from reality. On the Rio Grande’s south bank, across from El Paso, Texas, the Mexican city of Juárez contains at least 325 foreign-owned factories, or *maquiladoras*, employing more than 175,000 workers paid \$4 to \$5 daily, even though consumer prices along

Mexico’s side of the border average 85 to 90 percent of U.S. prices. Annual droughts and declining agriculture are driving millions of Mexican peasants northward. The majority, halted by U.S. Border Patrol operations, have settled in townships—*colonias*—improvised from cardboard boxes and wooden pallets. The *colonias* supply the *maquiladoras*’ labor; employee turnover runs between 50 and 150 percent annually because by many workers’ late 20s or early 30s their bodies cannot maintain the plants’ pace. It’s questionable whether any theory in which free markets lead to progress applies in Juárez. “We write off what is going on by saying it is something our grandparents or great grandparents went through,” Mr. Bowden observes.

Readers irritated by this kind of prose may concentrate on the photographs. Many show human remains variously scoured under sand and sun—what’s left of the hundreds of female *maquiladora* workers raped, murdered, and buried in the desert outside Juárez—or tortured, executed, and mutilated by *narcotraficantes* (approx-

mately 450 gangs exist). Photos of the recently deceased are educational. In one, for example, a man clamping into a high-voltage line to steal electricity appears to wear a single white sneaker on one foot; in the next photo, as power company workers winch down the man’s corpse, it’s clear that his other sneaker, trouser, and leg were charred when he electrocuted himself. Also instructive are the pictures of children. One is captioned: “Some of the poorest families in Juárez live in the city’s many dumps, competing with animals for scraps of food, or anything else useful.”

MAGNETIC NORTH

But Mr. Bowden is naive, I think, on several counts. First, with or without *maquiladoras*, Mexico is a desperate country. Were America to rely on domestic robot factories like the one that built Mr. Friedman’s Lexus, millions of peasants would still stream northward. Second, Mr. Bowden implies by the book’s title that what’s happening in Mexico inevitably will impact our future: *colonias* will continue to dot the border and people will keep erupting across it to the North. But automated satellite surveillance and weapon systems along the border could probably maintain our wealth and obliviousness.

Mr. Bowden also contends that “the theology of free trade” will create places like Juárez in the United States. The counter person who made your latte would probably say the same: globalization means that most Americans can anticipate an increasingly third world standard of living. Of course, most observable data supports the opposite conclusion. The United States, already immensely rich, is becoming richer—at every class of society. Also, the financial democratization represented by trends like electronic brokerages is potentially radical.

Still, demonstrable failures of free



market policies should be acknowledged. Mr. Friedman's book, for example, is reticent about Russia's floundering experiment with capitalism, the blueprint for which was drawn up largely by radically free market American economists and executed by pro-Western politicians. Since the transition, the average life span of Russian males has dropped from 62 to 59 years, crime syndicates and ex-apparatchiks have siphoned off whatever wealth they could, and America has had the honor of propping up Boris Yeltsin's putrefying presidency. The experiment is taking longer than we'd hoped but will succeed in the long run, you say? How much longer, when many Russians already believe it an American plot to ruin their country?

HAVANA TRUMP

Let's consider another case. Suppose you had a choice: you could partake of the benefits that the North American Free Trade Agreement and

free markets provided a maquiladora worker in Juárez, or you could suffer a lesser poverty and a socialist dictatorship in Cuba—where nonetheless 70 percent

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of the people are college educated and government billboards can accurately state: "Two hundred million children are sleeping in the streets tonight. None of them are Cuban." Although economists and business leaders may genuflect all they like toward free markets, most of

the world's population would choose to live in Cuba given that choice.

Similarly, it's disingenuous to pretend that there aren't now quite a few economies—Argentina, Israel, and much of Asia come to mind—that might be aided *temporarily* by reversion to protectionist measures. Ignoring reality's failure to match American free trade ideology is folly under these circumstances. When we discount the distressing trade-offs and inequities that developing economies must endure to participate in globalization, the rest of the world concludes that we are arrogantly self-serving. If globalization comes to be perceived as principally benefiting America or as Americanization, it will be rejected. This is why the greatest experiment of all—the globalized economy of the 21st century—may depend on our ability to wake ourselves from our present ideological daydream. ☞

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