

For that, too, is a typical Third World trait—the chronic disorganization of perfectly routine procedures. Nowadays, the US government competes with the likes of Jamaica, spending a great deal of money to advertise for tourists worldwide (Germany, Japan, and other successful exporters have no desire to keep their citizens employed as waiters, chambermaids, and bellhops). Yet the US government will not perform properly the one tourist service for which it is directly responsible: quick, efficient passport and customs inspections. From the chaotic delays that result whenever a pair of jumbo jets land within minutes of each other, one would imagine that such an event had never occurred before, that it was a stunning surprise to all concerned, not the result of long-published schedules duly approved by the airport authorities. Two-hour delays are common at JFK and other international airports during the peak travel times (and the entire summer), and some unfortunates have stood in line for four or even five hours at US airports after exhausting intercontinental flights. Not even Lagos can compete with that. 7

The rough, cheap remodeling of sadly outdated buildings with naked plywood and unfinished gypsum board proclaim the shortage of money to build with, of patient capital available for long-term investment—although there was plenty of money for “leveraged buy-outs” and other quick deals in New York during the years that JFK decayed into a Third World airport. Equally, the frayed carpets, those defective escalators, and pervasive minor dirt show that yesterday’s capital is not being renewed but is rather consumed day by day—“deferred maintenance” is the most perfect sign of Third World conditions, the instantly recognizable background of South Asian, African, and Latin American street scenes, with their dilapidated buildings, broken pavements, crudely painted hoardings, and decrepit buses. 7

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And yet, as against these tokens of wealth and success, there is the evidence of a broad degradation of standards that stubbornly emerges all around us—even when we are far removed in body and mind from our own fully accomplished Third Worlds, the miserable slums euphemistically called “inner cities,” where lives are nasty, brutish, and short for babies who would be better off if they were born in Costa Rica and for youths more likely to be killed by guns and knives than all diseases combined.

That leaves unchanged the simple arithmetic of an economy in which human labor alone has been cheapened: in 1990, at the last count, 18% of all Americans did not earn enough per hour (\$6.10) to pass that test with 2,000 hours of work; in 1974, only 12% earned below that standard. Except for the youngsters among them, just starting to work, the 14.4 million low-paid workers must be added to the Americans whose lives are sliding toward Third World conditions.

But the great mass of American employees who are not supervisors or professionals, and who do not work for the government—some 75 million working Americans in all—now actually earn less per hour than they did in 1966, once false inflation increases are stripped away.³ As rank-and-file employees in industry, retail trade, and almost all services—even the much-touted banking, insurance, and financial services, not just the “hamburger-flipping” jobs—swim against the currents of a slow-growing economy that needs them less and less, America is becoming a country of diminished lives, in which more than half of the next generation can no longer aspire to the style of life of their parents. Anyone can see the proliferation of “mobile homes” all over the country, but few pause to ask themselves how many former home owners live in them, and how many children of home owners cannot replicate the achievement of their parents.

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◁ We are thus becoming Europe's own Mexico—not as an inevitable consequence of “globalization,” as some seem to believe,⁵ but rather because of the failure to control and offset that process in the interests of the vast majority of Americans; and that failure has been of great benefit to a small minority. The reduction in trade barriers, the diminishing incidence of transport costs in ever-more elaborate products, and the global diffusion of mass production methods—the three agencies of “globalization”—could have been, and should have been, offset by added *investment*, both in people by way of education and training, and in the overall working environment: public infrastructures, plant, machinery, and technology actually applied (though we do lead the world in inventions that others apply, from video-cassette recorders to industrial robots). If more were invested to improve the working environment of American employees, and if workers' own skills were constantly upgraded, the US economy would not be competing by cheapening the value of their labor. That, after all, is how Japan and all other First World economies have been competing very effectively, steadily increasing wages as we reduce ours, because with added capital and added skills the total value of what is produced increases even more.]

◁ But “globalization” is not an unstoppable natural phenomenon. It can be managed. Too often, however, it is being managed at the American end to expand benefits to corporate management, shareholders, and elite design and development employees. At the Japanese end, by contrast, it is being managed to secure production jobs for Japanese workers (an aim never overlooked in Japan) and manufacturing earnings for corporations—as well as to transfer the gains of future technological progress in manufacturing from the United States to Japan.]

◁ But the great majority of non-elite Americans and their families have very different prospects from the managers, shareholders, and highly skilled employees of Apple Inc. If Mexico's prosperity continues to grow, the declining incomes of non-elite Americans might reach an untoward parity with the incomes of their Mexican counterparts, within the lifetime of today's teenagers. Yet that bleak prospect is ignored by the celebrants of American prosperity—as well they may, because incomes at the very top of the economic pyramid have been increasing very nicely.)

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Yet there is one ideology that grips the American mind—the ideology of free trade. Elite Americans are no longer seriously churchgoing but their unquestioning faith in the ideology of free trade is intact. Just as Marxism–Leninism offered the promise of prosperity for all, in exchange for giving all power to an all-wise party leadership, free-trade ideology too offers a large and attractive promise and demands something in exchange: the greatest possible prosperity for each and all in the entire world economy, if only no effort is made to protect anyone with tariffs or any other artificial barriers to free trade. And just as Marxism–Leninism was based on the theory that if capitalists were eliminated their wealth would remain and grow even more rapidly, free-trade ideology is based on the theory of “comparative advantage”: if England is more efficient than Portugal in producing textiles, and Portugal is more efficient than England in producing wine, both countries are better off if England produces all the textiles they both need, and Portugal produces all the wine, each then importing its unmet need from the other.⁹

For one thing, as prosperity grows and people are no longer content with one work outfit and one Sunday outfit, the demand for textiles increases by 200%, 300%, 500% over the years. By contrast, the individual demand for wine grows little if at all, leaving the Portuguese economy stagnant except for sheer population growth, while the English economy grows rapidly in this textiles-and-wine world. For another, the theory of free trade ignores the very different technological potential of each industry: over the years, textile producers can mechanize and eventually computerize their production, while wine is still pressed by the bare feet of peasants.

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Japan should therefore have been content to produce raw silk, paper lanterns, and the cute mechanical toys in which it still had a comparative advantage, while importing almost all other industrial goods. For very little could be produced efficiently given the state of Japanese industry. But instead of being paralyzed by theory, the Japanese simply ignored it, preferring the development of their economy to efficiency and an immediately better standard of living. High tariffs, tight quotas, and outright import prohibitions kept out US and other foreign goods to assure well-protected markets for Japan's feeble industries, which were also helped directly with low-interest investment loans, tax exemptions, and plain subsidies.

The Japanese people thus paid twice for industrial development, first by having to buy inferior homemade products at high prices instead of better/cheaper imports; and then because it was their taxes that paid for all the bounty given to industry. As consumers, and taxpayers, the Japanese were ill-treated. But as producers, their lives prospered and grew, with ever-wider opportunities both in rebuilt industries and in brand-new industries, as well as in the service superstructure that goes with them: banking, insurance, financial services, advertising, and more. They had to wait until the 1980s for any rapid rise in their standard of living, but the dignity of employment was assured to virtually all almost from the start, along with the increasing satisfactions of personal and national achievement.]

[Bias]

often, temporary protection is just what the (Japanese) doctor would have ordered, to allow overtaken industries to recover and flourish again. Instead, they are irrevocably abandoned, sacrificed on the altar of theoretical beliefs. Ideologues can be expected to do that of course—but in this case they account for a large proportion of all American politicians, academic experts, government officials, journalists, and opinion leaders. —

When some European economic experts complained about the huge cost of Airbus to the French, German, British, and Spanish taxpayers, their impertinence was firmly dismissed by Erich Riedl, Germany's aerospace coordinator: "We don't care about criticism from small-minded pencil-pushers."¹² >

Airliners are expensive and mostly bought on credit, so this advantage alone is decisive in many cases. Moreover, only US companies are barred by law from paying bribes to airline purchasing officials—a law that is effective, if only because of the fear of inevitable leaks from within the company. >

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That is certainly a perfectly logical answer in the immediate present, but it overlooks the ultimate result. In the twenty years from 1971 to 1991, Airbus Industrie increased its share of worldwide airliner market from near zero to 26%. In the process, the American airline industry lost that much in production and sales, mostly overseas sales of course. The lost 26% of airliner sales could have reduced the US trade imbalance (only the chemical industry exports more) and increased the profits of Boeing, McDonnell-Douglas, and all their subcontractors. Those profits, in turn, could have provided more capital for research, development, plant, and equipment. Moreover, Airbus Industrie is still expanding. Its managing director, Jean Pierson, has published the consortium's ambitious goal: "If we make no mistakes, we should achieve a 40% share of the market in the next fifteen years."²⁰

If that comes to pass, McDonnell-Douglas is unlikely to survive in the airline business, and Boeing, too, would be much weakened. In any case, tens of thousands of well-paid American industrial workers, scientists, technicians, designers, engineers, managers, and salespeople would lose their jobs in the industry. Further jobs would be lost in great numbers in the many different industries that supply materials, components, and machinery. All the lost jobs would mean as many lives disrupted and most probably diminished; and nationally, there would be a further slide toward a prevalence of low-paid, low-skill service jobs in US economy—not "flipping hamburgers" perhaps, but certainly some ex-airliner builders would end up cleaning and maintaining Airbuses.

Welcoming the subsidies thus safeguards the interests of US citizen as consumers but ignores their very different interests as producers. There is no need or justification for pulling out a handy (Japanese) calculator to evaluate the costs and benefits on each side of the ledger. The extra consumption provided to a high-consumption society by European subsidies cannot begin to be compared to the dignity that comes from worthy employment and the deep satisfactions of working in an exacting industry. That is what the governments that sponsor Airbus are buying with their subsidies: desirable jobs for tens of thousands of European workers, satisfying careers for aircraft designers and engineers, and challenging managerial positions. As against all that, affluent European taxpayers need give up only a fraction of their income, a thin slice of their abundant consumption. Is that a stupid choice?

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broader meaning of this new phenomenon is plain enough. Unlike the handouts given to failing industries, or the payments that powerful farm lobbies can extract from American, European, and Japanese taxpayers, the support of technologically advanced companies or entire industries is an *instrument of state power*. Thus it is not more and not less than the continuation of the ancient rivalry of the nations by new industrial means. Just as in the past when young men were put in uniform to be marched off in pursuit of schemes of territorial conquest, today taxpayers are persuaded to subsidize schemes of industrial conquest. Instead of fighting each other, France, Germany, and Britain now collaborate to fund Airbus Industrie's offensive against Boeing and McDonnell-Douglas. Instead of measuring progress by how far the fighting front has advanced on the map, it is worldwide market shares for the targeted products that are the goal.

Finally, even the solitary author tempted to offer advice must recall the first classic law of medicine: above all, do no harm.

Trade barriers mostly serve to preserve the local market for local industry, but sometimes they can help the growth of export industries as well. Countries that have scarce natural resources can impose export taxes on raw materials but not on worked products, to encourage the growth of local processing. Most African countries, for example, no longer allow the export of raw logs, but only of wood already cut into planks and studs. Many in the United States have urged a similar rule, without effect so far; hence American national forests are still being cut down for the sake of lumberjack "jobs," it is said, even though many more sawmill jobs could be had if the export of raw logs were stopped. Saudi Arabia and other oil producers achieve the same effect by selling crude oil at high prices, while offering refined products and more especially petrochemicals at low prices.

It is from that broader viewpoint that the following few suggestions are offered, for it is not the poverty of the already poor, but the relative impoverishment of its nonpoor that is now afflicting the United States.

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[The one American problem that drives even compulsive optimists into despair is the notorious inadequacy of public education in both elementary and secondary schools. Nothing is more important for the nation's future, yet nothing is less responsive to nationwide solutions. All the speeches, solemn promises, and even laws that emanate from the president of the United States and the US Congress as well as from the governors and legislatures of each state, have but a feeble impact on the country's 15,376 independent, self-governing school districts.¹ It is not the president, the Congress, or even state authorities, but rather the elected board members and career bureaucrats of those 15,376 independent school districts who actually supervise the education of some 41 million children in more than 82,000 elementary and high schools.² Anything resembling a "national education policy" is therefore *constitutionally* impossible. Instead, within the loose limits of state policies, if any, the local politicians and bureaucrats of each district steer their own course between clashing educational theories and passing fads (remember the "new math"?), ever-more divisive ethnic and racial politics, jobs-for-the-boys patronage politics, and, of course, union politics.]

Moreover, that school districts are also an important source of employment, especially in inner cities and less fortunate rural areas, has a further corrupting impact. Few nonteaching employees, from janitors and administrators to "ethnic resource persons," would allow better pay for better teachers to provide better education. But a larger number of "support staff" can better repay the favor received at election time. Thus in poor West Virginia, where jobs are scarce, school districts manage to employ so many bus drivers, janitors, and clerks that only 48.2% of their operating expenditures were last spent on "instruction," i.e. (one hopes), actual teaching—and the 51.8% that went for other purposes does not include whatever was spent on construction, remodeling, etc.³ Such are the hidden costs of the much-celebrated American system of local educational "independence"—and they are very large costs, both in money wasted or misspent and in politically compromised standards, in the hiring of teachers, in course contents, and even in grading practices.]

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Hence the most blatant reason for the gross disparity between the overall standards of different school districts is that the amounts spent each year on each student vary hugely. These are not 10% or 20% differences as between, say, France and Germany, but rather 100% or 200% differences, as between, say, France and Argentina. For example, the Mississippi average for both elementary and secondary education was \$3,096 per student at the last count, and the figure for President Clinton's Arkansas was \$3,486; by contrast, nine states exceeded \$6,000, and five of them exceeded \$7,000.⁴]

[In the meantime, amidst much public dissatisfaction and parental anguish, the 15,376 independent school districts continue to add "support staff" in great numbers—indeed, they will outnumber teachers if present trends continue. At the last count, 2.3 million teachers were employed by all US public school systems, but they had almost 4.4 million employees on their payrolls, including district and school administrators, assorted clericals, janitors, etc.⁹]

[As far as personnel is concerned, the hiring of friends and political supporters, if only in nonteaching jobs, is not uncommon in some school districts. In many more, the hiring of favored ethnic minorities as teachers and principals as well as janitors and clerks is a declared policy on the basis of the (totally unproven) theory that pupils learn better if they have same-race "role models"—though it is not clear why back-room administrators are also needed as "role models."⁵ It seems to have been forgotten that when the big-city school districts of America were still famously effective in educating new immigrants and the children of the poor, their teaching was not performed by new immigrants or the poor, but rather by solidly middle-class "Anglo" teachers whose language and manners truly were educationally useful models for their pupils. In any case, given current hiring practices, it is only by sheer coincidence that the racially preferred are also the most effective teachers—although that accounts for only a fraction of the great gap between putting money in, and getting education out. Thus it is very appropriate indeed that Washington, DC, with its highly politicized school board manages to spend more per pupil than any state of the Union (\$8,904) while its test scores are among the most dismal.]

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Finally, European and Japanese schools are run by teachers, one of whom is a headteacher, who in turn might or might not have a secretary. American schools are run by an entire hierarchy of administrators, many of them ex-teachers happy to be rid of teaching—a frustrating business nowadays. The overall result is that only just over 60 cents of each dollar spent to operate public schools actually goes for what school districts list as “instruction”—which still includes some administrative items, while the total does not include investment costs for construction, remodeling, and equipment purchases.¹⁰⁷

So why is “multicultural” education as now practiced in US public education so strongly countereducational?

First, because schools already incapable of teaching adequately the basics of reading, writing, arithmetic, civics, and good conduct now

divert the attention of their pupils to all sorts of peripheral subjects.

Second, because teachers who may or may not have a grasp of American and European history and culture are now under orders to teach Mesoamerican, Indian, Chinese, Japanese, and black-African history and culture as well. Inevitably the subject matter exceeds the limits of their knowledge—and inevitably they are caught in the act by some bright pupil or other, so that the credibility of all else they teach is fatally undermined. That is now an everyday occurrence in classrooms all over the country—my own son was mistaught “Japan” by a teacher who claimed that Buddhism was the country’s oldest religion—she had never heard of Shinto.

Third, because the additional subjects are taught so superficially that little or no actual learning ensues. Traditional “Euro-centric” education was certainly narrow as its critics claim by excluding vast realms of human experience. But when the reading of, say, Melville is replaced by a fast excursion through the mispronounced titles of exotic classics, or when an explanation of the French Revolution is replaced by a sixty-minute ramble through the totality of Indian history, more becomes less. Without a minimum of detail and depth, neither knowledge nor understanding can be gained. For the same reason, any adequate “multicultural” training of school teachers is an impossibility—unless they happen to be multilingual, world-class scholars to begin with.

Bearing in mind all the other dysfunctions of American public education, from systematic overadministration to outright corruption, from rampant indiscipline to the prevalence of ignorant teachers, the broad and important conclusion one must reach is that the acute shortcomings of many of the 15,376 school districts of the United States can only be remedied by a drastic two-way reduction in their powers.

On the one hand, experiments in shifting control from school districts to individual school boards have often been quite successful and should be further extended. Their effect is to increase parental influence—and parents are more to be trusted than local politicians or career bureaucrats when it comes to the education of their own children. But that plunge into a still greater diversity and yet more uneven results should be powerfully balanced by specific federal interventions to raise standards nationwide.

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One excellent carrot would be to award extra federal pay to teachers who pass uniform, nationwide, written qualification exams, set at different levels (e.g., elementary, junior high, and high school) but always to notably demanding standards. Thus teachers who pass the exam ("Federal Award" teachers) would receive two paychecks, one from the school district that employs them, and one from the federal government. At the very beginning, that would create only a small corps of elite teachers, very probably arousing union opposition and the resentment of colleagues without achieving much to raise nationwide teaching standards. But the extra pay and natural competitive instincts should quickly widen the ranks of Federal Award teachers, raising competence levels throughout US public education—not least by attracting well-qualified newcomers to the profession. That, of course, is the key to everything. Better teaching cannot be had without better teachers. Better teachers will not be forthcoming unless the entire prestige of the profession is raised decisively. And that in turn cannot be done without making teaching an enviable, well-paid job. But to pay more without demanding more competence would merely turn poorly paid mediocre teachers into well-paid mediocre teachers—hence the necessity of stiff qualification exams, themselves a source of prestige for those who pass. }

Another effective carrot would be aimed at pupils rather than teachers. Offering prestige instead of money, official federal diplomas for tested educational achievement would be a tempting challenge to students while setting nationwide standards for schools. In Europe and Japan, there are state baccalaureate exams for school-leavers, not only highly prestigious but also essential for university admission—and for access to many jobs that do not require a university education. Their social significance is exemplified by the fact that only recruits with baccalaureates can enter as officer-candidates in European countries where military service is still compulsory. Because they are so important, because they cover a full range of subjects, and because both lengthy essays and orals must be graded, baccalaureate examinations are very elaborately organized. In the attempt to prevent cheating and achieve a maximum of objectivity, they are supervised and evaluated by state-appointed commissions made of selected teachers, who receive extra pay and travel allowances—they are normally brought in from other parts of the country to protect against bribery and favoritism. }

[In the name of an empty theory of equality, US public high schools have virtually eliminated any real vocational education.¹⁴ What still goes under that name mostly consists of outdated "wood-shop" sessions, home economics ("for girls"), superficial chitchat introductions to business, and trade and industry classes that teach no actual skills. It is as if *not* learning Shakespeare were more valuable educationally than to actually learn practical skills of economic value. Yet serious vocational training would greatly assist nonscholars to find skilled jobs once they leave school, it would give them their own sphere of achievement until then, and it should therefore reduce dropout rates. For there is no doubt that the first reason that children abandon school is their frustration with courses that are useless for the academically less gifted, and are instead merely humiliating.]

[Less than a quarter of all American high-school pupils proceed with their education until they complete a four-year college, even though more than half attend some sort of postsecondary school (usually junior college). If work-study schemes in high schools were properly organized, with their results given federal recognition in turn recognized by employers, vocational training could become the predominant form of secondary education for older teenagers, attracting some of the college-bound, for whom it would be one subject among several, many of those destined for junior college only, for whom it would be more important, and the vast majority of those who now drop out or do not enter any sort of postsecondary school, for whom it should be the major activity, alongside some residual-classroom instruction. For all of them, the discipline of a working setting would be a valuable complement to the actual skills learned—there is now a sad deficiency of both.]

[In the new geo-economic era, capital for public and private investment is as important as firepower ever was in the geopolitical era. And it is above all the scarcity of homemade and home-saved capital that is now weakening America as we have seen. ->

Even though America has its Nobel Prize economists who have not noticed the parallel, it is infinitely enlightening to compare the very low US savings rate at 12% with another very low proportion: the 14% of all US tax revenues, federal, state, and local, that come from sales and excise taxes, i.e., taxes on consumption. In most European countries and Canada, at least a quarter and as much as one-third of all revenues come from consumption taxes. This suggests that low consumption taxes = a low rate of savings because spending is most attractive when things are irresistibly cheap. And because a low savings rate = low wages (ultimately, tendentially), it follows that the most "unfair" taxes are the best taxes for the worst-paid working Americans, other things being equal. That US politicians have continuously proclaimed the opposite, Reagan-Bush Republicans on the claim that all taxes are bad, and Clinton Democrats on the claim that only steeply progressive income taxes are good, is most unfortunate but does not change the truth: unfair consumption taxes are best for those who most need fairness in society—if they also happen to work (the nonworking poor would merely pay more taxes, which could of course be offset by more grants).

Sales taxes are simple, but their single point-of-final-sale simplicity can also become a source of distortions. A 5% federal retail sales tax on all goods and services might work quite well, but a 25% tax (a much more likely level) would quickly cause a reversion to barter worthy of the coinless Dark Ages. Thus taxes might be avoided, inflicting certain public harm for dubious private good, because of the inefficiencies of a barter system (you receive 144 eggs all at once; I am owed six months' worth of car washes . . .). A multipoint value-added tax would not have this crippling disadvantage. By now Europeans have had decades of experience with value-added tax. All payments for goods or services include value-added tax set at fixed rates, which are notionally at least meant to reflect the "value" added by the labor of the firm's employees, its invested capital, and its management. Thus a fixed percentage of that "added value" is paid over in tax. The simple arithmetic of a VAT could therefore replace both the payroll social security tax, and the elaborate calculations of corporate income tax in the US style—while displacing the lawyers that are forever litigating its complex results. With a VAT, mere bookkeepers can do the work that now employs accountants and tax lawyers. The resulting savings would be significant in themselves.

□ The rather bad reason is that personal income taxes are supplemented by corporate income taxes. No more demagogic cry is heard in the land than the call to make "rich corporations pay their taxes." That means, of course, less money for their owners and shareholders. For owners the effect is only to reduce their personal income, which is still subject to personal income taxes, dollar for dollar; for shareholders the effect is to reduce the net attractions of shareholding, thus discouraging investment in the US economy. To be sure, corporations routinely serve as parking lots for earnings that would otherwise be subject to personal income taxes. While salary and wage earners have no such relief, owners of corporations can use the corporations to defer their taxes. That is very unfair. It is also, however, a form of saving as worthy

as any other. Thus much would be gained by abolishing corporate income taxes altogether. The resulting "unfairness" would be twice compensated, first by stopping altogether the present tax deductibility of fancy cars, "business entertainment" beach condos, flowers and fruit, golfing holidays, meals, and even massages; if there were no corporate taxes and therefore no corporate tax deductions, much of that conspicuous, unnecessary, or downright grotesque consumption would come to a most welcome end. Second, the transformation of any and every corporation into a little tax-free Monte Carlo of its own would increase the propensity to save and invest in the same—reproducing exactly what happens in Monte Carlo, which swims gloriously in the money that flees from high French taxes and erratic Italian taxes. Of course, any and all favors and material benefits received *by individuals* from corporations must be fully taxable, as much as any money income received by them. Without that, corporations would not merely serve for the virtuous tax avoidance that increases savings, but also for the sinful tax evasion that increases consumption (your corporation buys a Rolls-Royce for you or a vicuña coat or a house). Indeed, to keep things honest and simple, it might be sensible to charge a very large personal income supertax on the imputed value of any *nonmoney* benefits received from corporations. □

[In 1990, for example, the US Advanced Battery Consortium was started to develop a more efficient power source for electric cars than the old lead-acid battery, which is too heavy for the scant power it yields. With \$130 million from the US Department of Energy and another \$130 million jointly provided by General Motors, Ford, and Chrysler, the consortium's purpose is to fund research and engineering projects that the much-worshipped free market will not fund on its own. In 1992, it claimed to have found a promising candidate in the revolutionary "ovonic" battery now being developed by Stanford R. Ovshinsky and his Energy Conversion Devices Inc. with \$18.5 million from the consortium.¹ The brotherly collaboration of all three US automobile companies, which are supposed to be forever competing with one another, means only one thing: this is not merely a business undertaking, but an American geo-economic offensive against the Japanese automobile industry, ironically but fittingly carried out by a typically Japanese-style government plus industry consortium.]

[The final offensive weapon is "predatory finance." If the artillery of research and development cannot conquer markets by sheer technological superiority; if operating subsidies given by one means or another are not enough; export sales can be achieved even against very strong competitors by offering loans at below-market interest rates. The United States has its Export-Import "Exim" bank that provides loan guarantees and credit on good terms to finance exports, and so do all major trading countries through their own equivalents. Thus foreigners can routinely expect to pay lower interest rates for their credit purchases than local borrowers, whose taxes pay for the very concessions that foreigners receive. That already amounts to hunting for exports with low-interest ammunition, but the accusation of predatory finance is reserved for cases where interest rates are suddenly reduced in the course of a fought-over sale. Naturally, the chief trading states have promised to each other that they will do no such thing. Naturally, they frequently break that promise.]

As for the United States, it tends to engage in much geo-economic practice while loudly rejecting its principles. American political leaders have a way of vehemently proclaiming their eternal faith in "the market" while as they simultaneously preside over their own geo-economic interventions, and loudly warn off foreign governments from doing the same. Listening to their speeches, one might think that many American political leaders are genuinely unaware of the fact that the two largest US export industries are agriculture and aerospace, both subject to much state intervention and both the recipients of much generous assistance. And yet the grip of free-trade ideology on the American mind still has a powerful effect. When something is branded as improper and ~~yet is still done~~, it is only done in a furtive and sporadic manner. By closing the door to geo-economic policies openly admitted and openly discussed, free-trade ideology leaves the field clear for the best-organized and best-funded lobbies to extract favors for themselves from the flux of day-to-day politics.

What happened was only to be expected in Third World conditions. With less than a huge market anyway, and with all the apparent industrialization in the hands of the country's rich elite interlinked by marriage and by class feeling, there was no real competition between the new Peruvian industrial companies. Instead of bidding down each other's prices and improving on each other's quality as Japanese companies had done behind their own high wall of tariff protection, each of the new Peruvian companies exploited its local monopoly to pass off shoddy goods at whatever prices the import-starved market would bear. Also, it was easy for merchants and the new industrialists to corrupt politicians and the badly underpaid bureaucrats.

Geo-economics is therefore a very appropriate projection on the world scene of typically meritocratic and professional ambitions, just as war and diplomacy reflected typically aristocratic ambitions, offering lots of desirable roles for military officers and diplomats who were aristocrats, or acted as if they were aristocrats, or at least relished aristocratic satisfactions. The meritocracy of technologists and managers is not much more modest. They do not desire bemedaled uniforms or the diplomat's ceremonies, but they do want to be *in command* on the world scene, as the makers of technology, not mere producers under license; as the developers of products, not mere assemblers; as industrialists, not mere importers.

Thus small but well-educated countries can be much more successful in geo-economics, as in plain business, than they could ever be in world politics where size always counts, and may alone be decisive.

{ For European and Japanese bureaucrats especially, but increasingly of American bureaucrats as well, geo-economics offers the only possible substitute for the military and diplomatic roles of the past. Only by invoking geo-economic imperatives can they claim authority over mere businesspeople and the citizenry at large. Obviously the urge is much more powerful in countries such as France and Japan that have proud bureaucratic elites, highly educated, carefully selected, and greatly respected—and thus especially unwilling to surrender their privileged position of power by allowing unfettered free enterprise to have its way. }

< For all that, bureaucratic survival interests are already now leading to mass conversions. Those who were ambitious enough to seek career advancement in the great institutions of the state will not want to devote their lives to such petty war and petty diplomacy as will continue in backward regions of the world even in a fully achieved geo-economic era. Well before that point is reached, most First World bureaucrats and their bureaucracies will eagerly embrace geo-economics. For without it, mere commerce would reign on the main stage of international life, under the undisputed control of businesspeople and corporations. With geo-economics, by contrast, the authority of state bureaucrats can be asserted anew, not in the name of strategy and security this time, but rather to protect "vital economic interests" by geo-economic defenses, geo-economic offensives, geo-economic diplomacy, and geo-economic intelligence. >

In the past, these were enemies in arms who had to be fought, today they are competitors in the marketplace with whom free competition is for some reason or other a losing game. The winners in each sector of industry naturally always favor free trade. The losers may accept defeat and leave the field. But geo-economics offers the alternative of a state-supported second round, and every instinct of the state and its bureaucracies is to go for it, thereby being able to remain on center stage, almost as in war. ¶

< Everywhere it has been discovered, or rediscovered, that only the eye of the private owner, anxious for profits and most unhappy with losses, can prevent the abuses that come with public ownership, from the hiring of nonworking or fitfully working political followers by the hundreds and by the thousands, to the use of company treasuries for party purposes or plain thievery, to mere lethargy in the absence of competition, or even a complete lack of any actual work (when private companies were abruptly nationalized in Zaire in 1971, in many cases the officials appointed to manage them simply sold off their equipment, materials, finished goods, furniture, and even the windows and doors—with their frames). ¶

Thus in seemingly contradictory fashion, the spread of geo-economics on the world scene, and the resulting increase in state interventions, now coincide with a rapid decline in public ownership. But actually there is no contradiction at all: not only in Japan, model-country of the new geo-economic era, but world-wide, bureaucrats can guide entirely private enterprise much better than they can manage state-owned outfits. Indeed it is the creative tension between fiercely competitive private corporations and activist economic bureaucrats that best explains Japan's economic success.

The United States and most other countries had sound economic reasons for wanting the expansion of trade that GATT promised, and has continued to deliver. But it was no coincidence that the original GATT treaty was successfully sponsored by the United States at the very outset of the Cold War (no country under Soviet influence joined), and that the Kennedy Round was concluded as the Cold War was approaching its climax. For the strongest motive for trade liberalization—stronger than the economic advantages against which there were always disadvantages to be reckoned—was always political and strategic. GATT was clearly meant to be the commercial counterpart of the pan-Western alliance against the Soviet Union.

Moreover, just because geo-economics must be inefficient from a global viewpoint, it does not mean that it cannot be efficient for any one country or trading bloc. War, too, has always been a losing game: all states would have been better off if none had played it. Yet so long as war and diplomacy dominated world affairs, participation was compulsory to avoid subjection, occupation, defeat, even annihilation. If an industrial country follows strict free-market policies to protect only the interests of its citizens as consumers, while other industrial countries promote the interests of their citizens as producers, the manufacture of all that is deemed important ("high tech," "strategic," etc.) will eventually be carried out by those other countries, except perhaps for some assembly-line work.

Yet the choice that remains for the United States is between the successful negotiation of a sweeping geo-economic disarmament, and the waging of the geo-economic struggle in full force. The looming presence of expansionist international corporations, activist bureaucracies, and economically ambitious governments—none of which is to be found on Main Street, USA, or in economics textbooks—requires that the choice be made and acted upon. Not to choose is to lose.