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## Book Review

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# The World Is Made of Nations, Not Markets

by Nancy Spannaus

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### **The World Is Flat: A Brief History of the Twenty-First Century**

by Thomas L. Friedman

New York City: Farrar, Straus and Giroux, 2005  
488 pages, hardbound, \$27.50

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It is to the shame of the United States “educated” political class, that this book has been on the best-seller list, including in Washington, D.C., for more than half a year. For what *The World Is Flat* represents, is a glorification of the process of globalization which is destroying not only the world as a whole, but the United States as an industrial power, at the very point when this process is about to create an unstoppable catastrophe. But Friedman, like a typical Baby Boomer, is so dazzled by the age of computer technology, that he apparently could care less about the expanding misery of conditions of life worldwide, which results from the failure of the physical economy.

I can almost hear him say: “Physical economy? What’s that?” He obviously doesn’t have a clue.

For indeed, in Friedman’s world, and that of the educated Baby Boomer professional today, the reality of physical economy, which is organized through the political instrumentality of nation-states, has been replaced by the “flat earth” of markets, where individuals all fend for themselves in a global marketplace. This is Adam Smith’s world, made up of atomized, competing individuals, all of whom are being forced to come up with schemes for producing services cheaper and cheaper. And if they don’t have the wherewithal to enter this marketplace? Tough luck.

American System economists, such as Henry C. Carey and Friedrich List, debunked this view of the world *explicitly* more than 150 years ago, when they were fighting against the British ideology of free trade. Economies are not simple collections of individuals carrying out their own business; they are organized by nation-states, which make the rules, provide (or fail to provide) the infrastructure, and determine the social and political environment in which economic activ-

ity will take place. Depending upon the nature of the government, these rules will vary, in terms of their effect upon the general welfare, and the principles upon which they are based. But there is no such thing as free trade.

Thus the important policy debate is not “levelling the playing field,” as Friedman constantly insists, but in setting the objectives for which the “game”—i.e., the operation of the society as a whole—is being played. In a rational society, as was intended by the American System of political economy, the touchstone of economic policy was to increase the productive power of labor in the society as a whole, through investment in infrastructure, education, science, and technology, for the benefit of the general welfare of the *entire* population. Such an objective today would automatically turn one’s attention not to information processing, but to building the power plants, rail networks, housing, agricultural capacity, and educational facilities which will lift whole nations out of poverty, and put them on the road to a better life. Millions of people are starving, and dying of disease, daily because they don’t have clean water, irrigation to grow food, refrigeration for medicine or food, electricity so that hospitals can function. And what does Friedman want them to have? Computers!

### **Friedman’s Thesis**

Friedman devotes nearly half of his book to reviewing personal encounters with particularly Indian entrepreneurs who have “made it” in the high-tech world, through methods he calls “flatteners.” These range from free computer software, to outsourcing, to insourcing, and in-forming, and other methods which have made a wide range of industries “global.” He argues that these have created “a global, Web-enabled playing field that allows for multiple forms of collaboration—the sharing of knowledge and work—in real time, without regard to geography, distance, or, in the near future, even language,” and that this is an unstoppable process to which we must adapt.

What this “reality” means, Friedman says, is that countries have to turn out more and more “knowledge jobs,” rather than the “limited” physical production jobs. In a particularly lurid example, he puts it like this: “If you are a knowledge worker making and selling some kind of idea-based product—consulting or financial services or music or software or marketing or design or new drugs—the bigger the market is, the more people there are out there to whom you can sell your product. And the bigger the market, the more new specialties and niches it will create. If you come up with the next Windows or Viagra, you can potentially sell one to everyone in the world. So idea-based workers do well in globalization, and fortunately American as a whole has more idea-driven workers than any country in the world” (p. 230).

What an outrageous idea, in this world so devoid of essential physical products to keep people alive! Instead of pointing citizens toward a mission of producing to bring people out of poverty, through providing power, clean water, or transport,

Friedman idealizes the opportunity to produce a “vanity” drug!

It actually gets worse. When Friedman turns to the question of the role of government in all of this, it’s all about government enabling people to become “more employable,” i.e., to go out and compete in the “flattened” Earth. Noting that it might help for national leaders to provide a “mission,” the modern-day equivalent of the LBJ’s war on poverty, or JFK’s Moon-shot, Friedman puts forward “a crash program for alternative energy and conservation to make America energy-independent in ten years” (p. 283). This goal, he claims, would help win the “war on terror” by taking away oil revenues from Arab states, help solve “global warming,” and make Americans scientists and engineers.

All Friedman’s assumptions motivating this mission are wrong. Terrorism does not depend on oil revenues; fossil fuel energy production has not caused global warming; and going to conservation and solar or wind power, takes our science *backwards*, not forwards to solving the power-production problems of the world. What we need is a renaissance of nuclear power, moving forward to nuclear fusion power—and that’s going to require training rigorous scientists and engineers, and a whole lot of construction, all over the world.

Behind all the web-spinning, including Friedman’s schemes for portable health care and pensions, one cannot escape the strong smell of Baby Boomer distaste for physical work, and the people who do it. Yet, if we don’t begin to base our economy once more on building the physical economy, starting with power, water, health, and transport infrastructure, we are indeed headed toward doom.

## The World’s Majority

Finally, three quarters of the way through the book, Friedman gets around to talking about the majority of mankind, the 4-5 billion people who are living in the nations euphemistically called the “developing countries.” (He gives it about 30 pages.) His solution to their poverty? Open up to free trade and sell yourselves cheap: the World Bank/IMF program of “reform.”

The model he puts forward is China, where, of course, there is a small percentage of the population which is now enjoying the riches that can currently (but not for long) be made in the high-tech computer world.

Once again, Friedman is showing his utter ignorance about physical economy, not to mention about the fragility of the financial system. The “success story” of China is intensely vulnerable on both counts, since it has pursued the “high end” of the globalized economy and sold its cheap labor *at the expense of investing in the necessary physical infrastructure for the majority of its population*. Not that China has not carried out some very important high-profile, necessary projects, such as the Three Gorges Dam and the Shanghai maglev. But for the most part, the peasantry is being left in the dirt, without the electricity, clean water, and transport they need. One marker for this starvation of necessary infrastructure



shows in the growth of disease, both the avian flu and AIDS, both of which threaten to overwhelm Chinese society in the near future, without a significant change in the economic and financial system.

An equally devastating vulnerability of the Chinese “model,” which Friedman pays no attention to, is the bankrupt financial system itself. Should the bankrupt banks finally collapse, as becomes more likely day by day, this very lucrative trade that China is doing would also collapse. The nation would be thrown back on its own resources and production—and most likely, into a situation of panic, social upheaval, and collapse.

## Geopolitics

As a journalist, who has often specialized on writing about the Middle East, Thomas Friedman cannot pass up the opportunity to devote a section of this book to “geopolitics.” Here is where he discusses what he sees as the blocks to countries joining the “flat world”: specifically disease, lack of political power, frustration, and a shortage of natural resources.

But what has created these “problems,” or prevented their solution? Friedman does not address this, but it is the failure of the world’s nation-states to devise a financial and economic system which will permit and encourage investment in what will improve the conditions of life for all mankind, and their submission instead to a *de facto* world financial dictatorship through private bankers and the International Monetary Fund. The Bretton Woods system devised by Franklin Delano Roo-

sevelt, which was intended to create the basis for an end to colonialism, and its rampant poverty, has been subverted, and turned into an international system of looting, including through “modern” forms of high-tech globalization. As nations orient in that direction, they leave the bulk of their populations in destitution.

For example, take India. Indian entrepreneurs represent a large section of the individual cases of success which Friedman deals with in this book, and promotes for emulation. But, eventually, Friedman lets loose with a shocking fact: The Indian high-tech sector accounts for a grand total of 0.2% of employment in India! (p. 383) Clearly, something *different* must be done.

That’s not the way Friedman sees it. He rails against the idea of stopping globalization, and calls for simply expanding the process to include more people.

But Friedman doesn’t want to expand *consumption* or *production* too much. This becomes clear when he attacks China’s huge appetite for oil, which he sees as a geopolitical threat. He could have said they should turn to nuclear energy to power their improvement in living standards, but instead he insists that they must *conserve* energy. That would be genocidal.

## Nations, Not Markets

While seeking to appear non-ideological and “realistic” in this book, Friedman is in fact neither. He is following in the footsteps of the British free-traders of the 19th Century, who were deliberately out to destroy the nation-state, so that the private merchant bankers who actually controlled the Empire could rake in all the loot they required. As if to prove the point, he introduces his 12th chapter with this quote from British politician Richard Cobden: “Free Trade is God’s diplomacy. There is no other certain way of uniting people in the bonds of peace.” This Richard Cobden was the head of the London-based Cobden Clubs, who operated on behalf of the leading bankers and economists of the Empire in the 1850s and ’60s, and fought tooth and nail against Abraham Lincoln’s policy of industrialization through measures including the protective tariff.

Of course, the peace Cobden was talking about was the *Pax Britannica*—imperial suppression. That indeed is what the paradigm of today’s globalized economy is all about. The ability of national governments to advance their populations, protect their industry and agriculture, and develop their productive powers, is to be *eliminated* under today’s globalization, in the name of “open markets” and “levelling the playing field.” The control of credit is kept in the purview of the private bankers, who will put the pieces back together to their benefit, when the huge pyramid of global debt which now passes for prosperity, comes tumbling down. “Empowerment” is to be embodied in a personal computer, individual by individual, in the struggle for survival.

It won’t work. Not if we want the world to survive. The world is not made up of individuals and markets, but of na-

tions that aspire to fulfill the needs of their people, to mobilize their resources to solve common problems, to provide a better future for their posterity. Economic improvement will come through influencing government policy on behalf of protecting the worker, protecting vital industries, and promoting the big projects required to improve nature and productivity. Friedman says our biggest danger is an “excess of protectionism.” Wrong! Our greatest danger is that we have allowed the globalizers to neuter the nation-state, so that it *can’t* protect our people.

Friedman, of course, wrote this book before the United States was hit by Hurricane Katrina, and the imminent threat of a global pandemic from avian flu—two events which have brought back to the fore, the necessity for a strong, active government role in providing for the general welfare. For many, who had “gone along” with a 30-year process of globalization against our industry and infrastructure, these events were a “wake-up” call, bringing them back to the ideas of FDR, and the need for state-sponsored projects.

Computers couldn’t save people from Hurricane Katrina, and they won’t save us from avian flu. We need *physical production*, physical infrastructure, crash programs for developing flu vaccines and building hospitals—all functions that can only be undertaken by governments. Each nation must have its own capabilities of defending and feeding itself. The globalized economy should go the way of the “flat Earth society,” *before* mankind goes over the cliff.

## DO YOU KNOW

- that the American Revolution was fought *against* British “free trade” economics?
- that Washington and Franklin championed Big Government?
- that the Founding Fathers promoted partnership between private industry and central government?

READ

## The Political Economy of the American Revolution

edited by  
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Christopher White

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