

# Free Trade and the Globalization of Wealth ... But for Whom? Sir James Goldsmith, The Prophetic Capitalist

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*“Free trade” is often treated without question as an indisputable truth in contemporary economic courses. It is seen as an orthodox doctrine of the macroeconomic religion and to dispute its validity would warrant you the reputation of being a heretic filled with drivel and lunacy. But is free trade in reality the prosperity-boasting mechanism that it is advertised as being or is it [asinister and pathological](#) means of consolidating global wealth in the hands of an increasingly smaller privileged ruling elite while globalizing poverty and exploitation? When one peels back the ideological and political controls imposed upon society by the [corporate-financier elite](#) who drive world affairs, we see nothing less than a global heist that threatens the stability of the world order that has existed for centuries and the emergence of an increasingly “corporate world order” that even threatens the [US’s own sovereignty and security](#).*

Sir James Goldsmith-The Prophetic Capitalist

When taking a firm stance against a pervasive dogma like globalization and free trade, there is no better person to have on your side than [Sir James Goldsmith](#), a renowned Anglo-French international financier and multi-billionaire tycoon who towards the end of his life would become a politician and MP of the European Parliament representing France. He was known for his astute insight such as forecasting the stock market crash of 1987 as well as predicting higher oil prices with the formation of OPEC.

Unlike many individuals among the “1%”, he ended up on the right side of history, arguing against [GATT](#) (the General Agreement on Tariffs and Trade) which set the precedent for increasing globalization and which would be replaced by the World Trade Organization in 1995. His book, “The Trap”, articulates his opposition to GATT and the danger it posed to national economies which was further elaborated on in his [prophetic 1994 interview](#) on Charlie Rose’s show which included a short debate with Laura Tyson, Chairwomen of Clinton’s Council of Economic Advisors who was among those responsible for pushing through GATT. Because of the significance of this interview, buried in the depths of the internet in six low-quality video clips and outnumbered by slick, corporate-paid propaganda that is characteristic in academia, my intention is to provide a thorough summation of this precious interview to increase accessibility and awareness of these timeless talking-points and connect it with current reality in hope of increasing public consciousness to the perils of increasing globalization, especially in light of the coming “[Trans Pacific Partnership](#)”(i.e. “NAFTA on steroids”).

The Prophetic Interview

The interview was set several months after NAFTA's implementation on January 1, 1994 but before the passing of GATT-1994 and thus offered Goldsmith the opportunity to make multiple prophetic insights into the coming of the globalized world order. Charlie Rose asks Goldsmith on the difference between NAFTA and GATT, making the statement that the alleged "fears" Ross Perot had warned about with NAFTA did not come true. However, Goldsmith cautions viewers to distinguish between the sizes of GATT and NAFTA. GATT, he said, would unleash an unemployment which would attack the economies of the world because of the fact that it dealt with an area in east Asia with 4 billion people that suffered vast unemployment and who would work for almost nothing; it would take a corporation 47 persons in Vietnam to equal the wage cost of a single American worker. NAFTA, in contrast, dealt with 80 million people with relatively higher wages. An indeed, when we waited "5 years" for NAFTA, [we found that:](#)

[According to the] Economic Policy Institute (EPI), the number of U.S. jobs created by export expansion in relation to the number of U.S. jobs lost to the growth of foreign imports because of [NAFTA in its first ten years resulted in a net loss of 879,280 jobs](#). (See "NAFTA - [Related Job Losses Have Piled Up Since 1993](#)" by Robert E. Scott.)

GATT has created a system where technology can be transported anywhere in the world, along with capital, facilitating the mobility of corporate interests in the global economy. In such a scenario, two companies with the same product and technology can make a product anywhere and sell it anywhere with the cost of labor being different. According to Goldsmith, this system results in booming economic growth which is severely undermined by an equally skyrocketing unemployment rate and the exclusion of vast sections of society from economic participation.

Some would argue that the question is not simply about labor cost but the huge purchasing power of emerging markets like India and China. According to Goldsmith, nations must learn to harness this purchasing power in a way that is not detrimental to society. One way is to go create a corporation in China, for example, building a factory and conquering part of the Chinese market by competing there fair and square as a corporate citizen. The problem is that with globalized free trade, corporations use it as a pretext to move offshore not so much to conquer parts of the market fairly but to exploit low wage labor and re-import goods back into the US (taking advantage of lower US tariff rates which GATT had reduced in the course of 8 rounds from 40% to 8.9% in 1994) to cut their costs and essentially kill off the labor force. Goldsmith notes that 25% of a corporation's costs are in labor and globalized free trade facilitates corporate ambitions of cutting 20% of their cost and forces corporations that do not offshore to compete with foreign exploited labor. In the 20 years prior to 1994, salaries in the US had dropped by 19%.

Goldsmith also points out that when a product is manufactured from raw materials, it incurs a "value-added" that has historically been shared between capital and labor. With globalization, foreign exploited labor causes a shattering of the sharing of the value added and destabilizes society. He distinguishes this from standard arguments for protectionism by saying that he is supportive of free markets and enterprise, and even free trade between relatively homogeneous regions with similar labor costs but as long as they do not fundamentally destabilize society in the manner globalization does. Major corporations benefit because they are no longer tied to their respective nations and love the idea of unlimited, giveaway labor. "What is good for GM is no longer good for America." At the time,

Trans-National Corporations (TNCs) accounted for annual sales of \$4.8 trillion with the top 100 alone accounting for 33% of foreign direct investment.

Another vital talking point he mentions is that in the three months prior to his interview, IBM, Boeing, and Advance Microsystems had all announced movement offshore of certain parts of their manufacturing noting that contrary to the claim made by some that only unskilled labor would be offshored, so would skilled labor. The first industries to take the hit, though, were the textile and shoe industries which lost millions of jobs. They would be followed by high-tech industries and even some service industries. Swiss Air had announced that it would be moving part of its back office into Bombay, India to communicate by satellites and reduce costs by 95%, a trend that has happened among multiple American industries.

In responding to a point made by Laura Tyson in the debate portion of the interview, he states that the claim of “lower prices” because of free trade is misleading because what corporations do after exploiting slave labor overseas is re-import products just below the level of the locally produced product to put the local out of business and solidify their domination over the market. This is best typified in the case of Wal-Mart; according to the excellent documentary [“Wal Mart: The High Cost of Low Prices”](#), Wal-Mart essentially “invades” the local economy with slave-made junk, pushing domestic businesses out, destroying the dynamic economic ecosystem that exists in a community, and essentially forces those who lose their jobs to [centralized retail](#) to become “wage slaves” at either Wal Mart or places like McDonald’s with sub-par wages.

[Thom Hartmann has pointed out](#) before that prior to Reaganomics and America’s insane trade policy, the largest employer in the US was GM which paid an average of \$50/hr. as compared with Wal Mart today which is the largest employer and pays an average of \$10/hr. It is no wonder then that [income inequality is increasing in America due to a deliberately flawed system that globalizes wealth in the hands of the few](#) and not only hurts the working class but also the greater economy that is dependent on the working man having enough money to fuel an increasingly consumerist economy. Instead, capital is consolidated in the hands of a few and instead of wealth “trickling down”, the “wealth cup” merely gets bigger every time it becomes full, a problem exacerbated in [the increasing problem of offshore tax havens](#). We are told that the “rising tide” of the rich “lifts all boats” but instead of a rising tide, we see a financial whirlpool.

Getting back to the Goldsmith interview, he proceeds to dismantle a common argument that was put forward by Laura Tyson that corporations are not moving offshore for cheap labor but to be closer to their consumer base and to circumvent foreign tariffs that prevent them from staying in the US and selling to the foreign market. This ignores the phenomenon of importation by the corporations and the fact that the purpose of GATT is to reduce trade barriers (mostly for the US) so that companies can now import back without a cost. What this essentially does is obliterate earnings and employment in the states and as he points out, the US has had, at the time, a 19.4% reduction in real earnings and a \$150 billion trade deficit (now \$700 billion). Goldsmith refers to an interview in the Wall Street Journal with a man responsible for moving parts of IBM’s production offshore who admitted that IBM was closing down certain parts of their production in the US but was not going to employ people overseas themselves. Rather, they would find an “Asian partner” because it was “easier to get rid of Asian workers” and keep going to the “lowest possible salary level.” Goldsmith also notes that every single industry has reduced the number of people they employ in all developed countries sharply, partly because of productivity, partly because of offshoring.

His final point in the interview focused on how the west was “worshipping the wrong god, the god of economic index” instead of having the economy subjected to the fundamental needs of society. His central thesis is that the “economy exists to serve the needs of society which are prosperity, stability, and contentment.” He points to the problem of GATT’s proposal to implement “efficient agriculture” globally in order to “produce the maximum amount of food for the least cost”. But what is cost? The cost is the social factor that comes when entire societies would be uprooted and chased out from the land by “big-Agri” into city slums with their families. There is a social cost that comes to a nation in such a scenario that is often omitted in one-dimensional outlooks such as “efficient agriculture” and that social cost translates itself into an economic cost that ripples through society. At the time, 3.1 billion people in the world lived in rural communities and according to studies, if GATT’s proposal of modern agriculture is implemented worldwide at Canada and Australia levels, 2 billion people would be uprooted from the land and chased to the towns.

The solution? Goldsmith says we should change our priorities. Instead of focusing on things like the one-dimensional cost of producing the maximum amount for the minimum cost, we should take into account other costs such as having the right amount, right quality for both human health and the environment, and employing enough people for social stability. Mass migration from rural areas because of reckless globalization and corporate largess would destroy towns; in Brazil, many of the slums did not exist prior to the “Green Revolution” of intensifying agriculture according to Goldsmith. This is a problem we still see today where western corporate interests, in collusion with [corrupt client dictators in countries like Cambodia](#), sell out their nations to foreign multinationals. And then there is the problem of “[The World According to Monsanto](#)”, a must-watch documentary that demonstrates irrefutably how the infamous multinational company seeks to buy up large tracts of land in third world countries to monopolize the food supply as much as they can and push forward their patented GMO crops of dubious health quality. [Thailand has been particularly resistant](#) to Monsanto’s attempts to make inroads into the nation’s currently independent agricultural sector and patent their historically-prized fragrant jasmine rice crops.

Something must also be said about that buzzword of “economic inefficiency”. Who said that all “inefficiency” is necessarily bad? To a certain degree, inefficiency is essential and preserves stability in a society. Complete efficiency is impossible and “efficiency” does not even exist completely in the physics realm, let alone the economy. [As Thom Hartmann points out](#), inefficiency is a buffer in society against the fragility that comes from the centralization of economic power. An example of such centralization is what happened in the Reagan era of “Mergers and Acquisitions” which not only destroys the diversity of a community’s economic ecosystem, thus making the system less resilient to crisis, but also the entire livelihoods of many families. It fuels the perpetuating of the globalization of poverty where the rich get richer and the poor get poorer because of lack of opportunity. Perhaps our consumerist minded, index-driven culture, should step back and realize that for every action, there is an equal and opposite reaction.

#### Free Trade and the Corporate World Order in America Today

The [problems brought forth by globalized free trade are evident today](#) and even proponents of free trade, when pushed on the subject, would concede to critical problems which they seek to adjust for by means of “policy.” However, the inherent problems are ones that transcend mere policy making. Wages are at an all-time low and family income has just barely kept up and that is with 2 people working as opposed to 1 prior to Reaganomics where one family worker was sufficient for a family wage. Hartmann notes that hourly

earnings peaked in 1972 at a \$20/hr. average while the decline as of 2008 was at \$18.25/hr. as an average. Keep in mind that this is an average that includes people making substantial amounts of money factored in but the decrease for the working and middle class would be substantially more relatively speaking. Tax free income for the 1% stands at 23.5% whereas prior to Reagan and the beginnings of globalized free trade, it stood at 8.9%; prior to the Great Depression, it was at 25%. Between 1917 and 1981, the bottom 90% of wage earners made 69% of all wages and the top 10% made 31% of wages. Now, the top 10% get 96% of all income gains and the bottom 90% gets 4% of all income gains. And contrary to what mainstream Republicans may tell you, [the rich do not pay the most in taxes](#).

Inequality increases because globalization has been constructed to serve the needs of finance capital and corporatism and when corporations fail, the US experiences the phenomenon of “socialism for the rich, capitalism for the poor.” In a [debate with Thom Hartmann](#), even Bryan Reilly of the Heritage Foundation was forced to admit that the US has done a terrible job creating new low-wage jobs for blue-collar workers who can work in manufacturing for 30 years, have a pension, and retire while living in a prosperous society as was typical in post-WWII America. Should the economy only be for people with PhDs, engineers, tech designers, and high wage laborers as well as for “retailers” and ambiguous and limited “service industries”?

Is there [no role for low-age labor in America anymore](#), no room for the high-school graduate who wants to work on an assembly line for the rest of his life? People may laugh at this but in the same way that society is diverse, you need a diverse and dynamic nationally protected economy that caters to this diversity and prevents people from ending up on the street homeless because of outsourced opportunities (both high and low wage ) that were plentiful. Not everybody is going to become an engineer and when you have people working at wage slave jobs at Wal Mart and McDonalds in poverty, that increases a society’s social costs and crime which would not have been a major problem in America when prosperous “company towns” existed side-by-side with a thriving manufacturing base where blue-collar workers could work and raise their families in peace.

[Hartmann notes that the ruins of this past](#) in America can be seen in taking a train trip from New York to Washington DC. It is devastating to observe miles of deindustrialized land along the way and broken factories as well as the abandoned and once-prosperous neighborhoods of blue-collar workers and middle class schools. Being middle class is an increasingly difficult endeavor in America and by deliberate design. And as Hartmann notes, the insane trade policy continues today with the recent Korea Free Trade Agreement (KFTA) that was a part of the US’s geopolitical “pivot to Asia”. KFTA has overseen the loss of 46,000 good-paying factory jobs to Korea along with a loss of \$385 million/month in exports to Korea according to Public Citizen (website at [citizen.org](#)). The trade deficit with Korea has mushroomed by 47% and US exports have been down (as of 2014) by 11% while Korea has increased imports from every other country except the US by 2%.

We have a need for investment in America yet some people choose to do it elsewhere for their own selfish gain. What we need is economic nationalism in the spirit of Alexander Hamilton and Henry Clay. It was their policies, called the “[American System](#)” that brought America to be the economic power house it once was. We need to protect American industry to give the best return to the working and middle class and in turn the economy as a whole in a system of “bottom-up prosperity” as well as invest in infrastructure as the US government did historically with canals, railroads, the Federal Highway Act of 1956. After all, strong consumers drive a strong economy. Globalization merely fuels global

interdependency and exploitation, creating a fragile global system which by extension also compromises the sovereignty of nations geopolitically, specifically against the [Anglo-American Corporate Empire](#). It's time to end our insane trade policy and empower the American people over the transnational corporations. Get [inspiration from others](#), get involved, and get self-sufficient and [start laying the foundations for a strong local and national economy](#) that will serve your own interests today.

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