

creative loafing

JULY 16, 2003

VOLUME 17, NUMBER 20

IT'S THE GLOBALIZATION, STUPID The cold truth about layoffs

BY ROB SLEE

ANOTHER MONTH, another million layoffs in America. Is anyone else concerned that the manufacture of nearly everything is down in the US, while the production of layoffs is way up? Thankfully, unemployment benefits are routinely extended by Congress. This buys us much needed time to continue the search for Ronald Reagan's wealth-creating service economy.

What explains the current economic enema?

The starting place for this discussion is capitalism itself - the coldest economic system, at least as it relates to those at the wrong end of the pay scale. The problem is that capitalism doesn't care about its constituents. It crushes even the strongest among us. Further, the US wasn't content to unleash this virulence only upon its own citizenry. Giving the world a taste for American cigarettes and capitalism was bound to haunt us.

The ancient Greeks were consumed by the issue of individual needs versus the good of the community. You might not recognize it today, but individuals working for the greater good are vital to a healthy democracy. Capitalism is the reverse of this sentiment. In capitalism, the one (often called the CEO or boss) believes it is his duty (on behalf of the nameless, faceless shareholders) to protect the many by reducing many of the many. Mel Brooks had it right when, in *Blazing Saddles*, he said: "Gentlemen, we have to protect our phony-baloney jobs."

Globalization: you hear about it all the time, but have you ever taken the time to look it up? More or less it means "the attitude or policy of placing the interests of the entire world above those of individual nations or US employees." OK, this is the definition of globalism. But since globalization isn't defined in the dictionary anyway, I'm going to use it. I added the words "or US employees" because it makes for a truer statement.

Unlike the Industrial Policy debate of the 1980s, which said that governments would pick global winners from among their industries, globalization has anointed corporations as the primary choosers. In this case, the multi-nationals choose where to source purchases, and in a world of comparative quality, the lowest delivered cost wins. Ross Perot was partially correct when he referred to this effect as "that giant sucking sound." Instead of just losing jobs to Mexico, however, US workers now have the privilege of having their jobs outsourced to all parts of the world.

Just how uncompetitive are we? We're kind of like

Europe without the old tourist attractions. I'm aware of a company that takes mundane stuff currently manufactured in the US and outsources it around the world. They showed me just how bad it is. I saw a list with dozens of items such as table legs, industrial filters, forks, etc., whose production they were currently moving offshore. The list had two columns. Each column showed the fully loaded cost of labor to make the part. This included hourly wage, benefit costs, plus all the allocated overhead costs. The US column was filled with numbers ranging from \$20-100 per hour. The globally outsourced column showed no number beyond \$2 per hour. Throw in a buck or two for shipping, and *voila*, another million US layoffs!

Corporations are relatively new to the Darwinian game, so they chose Nature as their model. Nature dictates one simple rule to determine who or what survives: that which does not sustain life is consumed by it. In other words, everybody and everything had better find its *raison d'être* today and fight to maintain it. Each thing's reason for being had also better have a life-enhancing element to it.

A story from a curious little book titled *Friedman's Fables* will illustrate this point. There was a ploop fish in an aquarium whose job was to keep the tank bottom clean. After years of this activity, this fish developed an attitude - why should it suffer such an indignant fate? So the fish stopped performing its daily chores. The tank soon became overrun, much to the chagrin of the other residents. No amount of coaxing could get the fish to resume. Finally, the overseer of the tank scooped up the malcontent and did some flushing of his own.

The moral, of course, is that the ploop fish was put in the tank to do a job. The fish has a clear choice - sustain life in the tank, or be consumed. People must also adapt and add value to their job and society or they too will be flushed.

In this new world order, every able adult is responsible for his/her own education, training and skills. What a novel idea! Go ask a small business owner if he/she can bear this responsibility.

My recommendation for you who are new to globalization is to gather up your blankets (made in China), gloves (India), galoshes (small market for these - made in Canada) or whatever else you need to stay warm. Global capitalism is here to stay, so it's going to get a lot colder in the United States.

Rob Slee is an investment banker in Charlotte.