

THE GLOBAL CLASS WAR

*How America's Bipartisan Elite Lost Our Future
and What it Will Take to Win It Back*

by Jeff Faux

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In his forthcoming book, Jeff Faux, the founding president of the Economic Policy Institute, presents an original explanation of how globalization is altering American living standards, politics and our economic future – and a compelling strategy for creating a model cross-border social contract that gets beyond the narrow and stale “free-trade vs. protectionism” debate.

Among the book's themes:

- **IN WHOSE “NATIONAL” INTEREST?** The world economy is creating a global elite who have more interests in common with each other than with the middle classes and poor who happen to share their nationality. Yet we continue to talk and think about the politics of globalization as a clash of *national* interests, obscuring the partnership between the rich and powerful in both rich *and* poor nations. For example, it is not “China” that is challenging the United States; it is a partnership between Chinese commissars who deliver the labor and American CEOs who deliver the capital and the technology.
- **RISING INEQUALITY.** Arguments over free trade's impact on jobs and wages miss the larger point that globalization has permitted American economic elites to escape from the social contract that has bound Americans together since the New Deal. One result, now well-documented, is increased inequality and financial insecurity of working Americans.
- **AMERICAN POLITICS.** In the past, despite economic class conflicts, capital and labor needed each other: What was good for General Motors was good for America. Today, by their own admission, corporate CEOs are indifferent to the nation's long-term future. Yet they remain the most powerful influence on both political parties. While tactics, styles and sentiments may differ between Bill Clinton/Bob Rubin and George Bush/Dick Cheney, since the end of the Cold War, Washington has consistently promoted a global agenda that undercuts ordinary Americans who must work for a living.
- **U. S. COMPETITIVENESS: WASHINGTON DOESN'T CARE.** Despite the occasional hand-wringing, Washington ignores the unsustainable rise in the nation's trade deficit and the off-shoring of the skilled jobs that were supposed to mean economic survival for American workers. If our governing elite cared about the average American's ability to compete they would long ago have demanded effective policies such as investment in world-class education, policies to increase national savings, and the promotion of international labor standards.
- **GLOBAL POLITICS – THE PARTY OF DAVOS.** Global economic governance is a “one-party” system – dominated by informal, non-transparent political and business networks. As its first director admitted, the WTO is not primarily about free trade among sovereign states, but an effort to create a single “constitution” of one integrated world economy.

- **NAFTA, MIGRATION & MEXICO.** NAFTA was the template for this “constitution.” It protects and promotes the interests of just one citizen – the corporate investor. Not surprisingly, it shifted income, wealth and power upward in all three countries – especially in Mexico, where U.S. and Mexican politicians and business leaders designed privatization schemes that cost American workers and Mexican taxpayers and consumers billions of dollars. Today’s migration crisis is testimony to NAFTA’s failure to promote the growth in Mexico its promoters promised.
- **ECONOMICS: AFTER THE FALL.** *The standard of living of the average American worker is certain to drop for a sustained period of time.* This is the inevitable, if unintended, consequence of a policy of permitting a chronic trade imbalance and the off-shoring of good jobs in the face of a low savings rate. Common sense and simple arithmetic tell us that, at some point, foreigners will no longer finance our growing debt. Whether the landing is “hard” or “soft,” Americans will be forced to lower their prices and their real income in order to export more and import less. This will have a profound impact on U.S. politics. Reversing our trade balances could also bring a crisis to our NAFTA partners – especially Mexico and the already tense and porous border.
- **A CONTINENTAL DEMOCRACY.** We cannot reverse NAFTA. But North America could become a model for developing a cross-border social contract in a globalizing economy. A new cross-border politics in North America could encourage those in Europe and elsewhere who are seeking to solve the problems of democracy and economic integration and become a model for the creation of a global social contract, region-by-region. Key elements of such a North American contract might include:
 - A new continental social contract to match the continental economy, including an economic bill of rights for all citizens.
 - A European Union-style agreement in which Mexico gets economic aid in return for internal reforms that would redistribute income and power.
 - A common continental competitive strategy whose first priority is to promote and protect a decent life for the ordinary citizens of North America.



ABOUT THE AUTHOR: Jeff Faux is a widely cited expert on the impact of globalization on U.S. living standards and politics. He has written articles for *The New York Times*, *The Washington Post*, *The American Prospect*, *Foreign Affairs en Español*, *The Nation*, *The Columbia Journalism Review*, and a variety of other popular and professional publications. He is frequently interviewed on national television and radio, and has lectured at universities, government agencies and other organizations in the United States and abroad. He is now a Distinguished Fellow at the Economic Policy Institute, the think tank he created and directed from 1985-2002. *The Global Class War* is his sixth book. Others include: *Reclaiming Prosperity* and *The Party’s Not Over*.

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