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The Coronavirus Pandemic Has Opened the Curtains on the World's Next Economic Model

Posted on [April 3, 2020](#) by [Yves Smith](#)

Yves here. While the vogue for globalization, which has been a dominant business and economic model for decades, is suddenly looking imperiled, it isn't clear what comes next. Recall the last great period of globalization was the

period right before World War I. It collapsed in World War I due among other things to the breakdown in the gold standard.

Yet the period after what was then called the Great War saw a protracted effort to reconstitute the old order, which only ushered in the Great Depression. It's not clear that key actors will readily abandon an economic system they grew up with.

By Marshall Auerback, a market analyst and commentator and Jan Frel, the executive director of the [Independent Media Institute](#). Produced by [Economy for All](#), a project of the [Independent Media Institute](#)

When the wealthiest country in the world is **unable to produce basic medical gear** to cope with a rampaging pandemic, it is dealing with a strategic vulnerability by depending on multinational supply chains to produce manufactured goods. Absent sufficient redundancies and physical reserves of resources, "just-in-time" lean supply systems can't cope with sudden disruptions. The global pandemic of 2020 is a case in point.

This pandemic continues to unfold, but it will serve as the D-Day equivalent of a new predominating economic model for the world, and which in many ways was beginning to take shape before COVID-19. At its core, developed and mixed market economies will factor in the health risk and growing military cost of sustaining international supply chains against investing in high-tech production closer to their markets, and increasingly export their goods to the rest of the world.

Dozens of economies that developed in the past 50 years by enmeshing themselves in the international supply chain on the basis of their labor price advantage will find themselves increasingly cut out of the new process. The contest for global power will increasingly pivot to the extraction and refinement of minerals and component materials that are critical to sustaining the high-tech economy model, away from carbon energy resources. We will be hearing much more about "national stockpiling" and "strategic reserves" beyond oil in the months and years ahead.

Not only has COVID-19 exposed potential health risks and costs involved (as globalized trade routes become vectors of contagion), but the champions of the offshoring phenomenon increasingly resort to myths and misconceptions that are irrelevant to a 21st-century economy. They are as obsolete as spending trillions annually on managing the supply and price of Middle East oil, which American foreign policy figures, including Martin Indyk, are beginning to openly say **"isn't worth it."**

Before we get into the details on the future economy, let's quickly review how

the U.S. saw a massive decline in its industrial capacity. Bad ideas and pernicious orthodoxies grew like barnacles over the decades on what was once the world's leading manufacturer. First was the idea that offshoring is essential to preserving profitability. Often this assertion has been more apparent than real. As far as profitability goes, many companies have made choices to move manufacturing offshore despite continuing domestic profits on home shores. For example, the five North American plants that General Motors (GM) shut down in 2019 **were still profitable**, but the company, which had received a government bailout in 2009, chose to refocus on the higher-margin operations in China.

Of course, capitalism controlled by bankers and speculators gives free rein to companies to make profits on how they see fit. The consequences are that for decades, Detroit's "Big Three" automakers have consistently underperformed their German and Japanese counterparts because of their decision to embrace a Wall Street-driven culture that has prioritized short-term quarterly earnings, massive dividend payouts and unprecedented spending on stock repurchases over productive investment in innovation. And as GM's 2019 experience illustrates, the resultant profits did not go to spur domestic reinvestment, which in turn creates domestic employment, but abroad to expand China's manufacturing base. GM is but one example of the hundreds of major corporate actors that have denuded the country's industrial ecosystem, creating gaps in the U.S. workforce and shortages of vital skilled labor.

There are also multiple examples of companies acquiring smaller innovative companies "solely to discontinue the target's innovation projects and preempt future competition," **according to** researchers Colleen Cunningham, from London Business School, and Florian Ederer and Song Ma, both from Yale. A particularly poignant example of these "killer acquisitions," given today's ongoing ventilator shortage, is Covidien's attempted 2012 purchase of California-based Newport Medical Instruments, a smaller competing medical device company that had secured a contract from the federal government in 2010 to produce up to 40,000 mobile ventilators. But as David Dayen of The American Prospect observed, the purported rationale for the acquisition was bogus: It had nothing to do with expanding Covidien's product base and everything to do with destroying a competitor whose product **"could cut into its existing profits."**

For years, the political economist Seymour Melman argued that companies that embraced the soft option of downsizing/offshoring labor would ultimately create grave production weaknesses in the U.S. economy and stifle innovation. Higher domestic wages, by contrast, would induce competent managers to compensate by using and investing in more and better machinery, which in turn would lead to a virtuous cycle of production: higher profits, which can lead to higher wages, leading to better machinery and organization of work.

While American companies may think they are improving their individual competitiveness in the short term by shifting operations to low-cost labor economies, the current pandemic illustrates that they collectively undermined America's (and their own) competitiveness over the long haul.

Intuitively, Melman's forecasts make sense. A modern manufacturing "ecosystem" makes it much easier to redeploy and pivot to new priorities when there are shortages in vital areas. China, for example, has a sufficiently deep and robust industrial infrastructure to adjust production lines quickly, even as the U.S. continues to **struggle with ventilator shortages**. And in Germany, a flagship company like Siemens, for example, **announced** that it is "making its Additive Manufacturing (AM) Network along with its 3D printers, available to the global medical community to speed design and production of medical components ... to enable faster and less complicated production of spare parts for machines like ventilators."

The Next Economy

A combination of existing technologies and capacities that are already in business application and on the rise will enable the new era of production and global economic overhaul and develop in motion with Melman's thinking. These include artificial intelligence computing, automated manufacturing and increasingly universal and portable manufacturing equipment, innovations in energy production and storage, high-speed data transfer, and nanotechnology. Some of these technologies are mature, profitable and business-ready. Others are still in an early phase but will be seen as more economically viable or worthy of state investment and subsidy in light of a growing awareness among policy planners that the consequences of running global supply chains are potentially more expensive.

All of these technologies are revolutionary. Their concomitant rise will create a new economic era dominated by the countries that fully integrate them into their economies:

- AI computing has the capacity to introduce game-changing efficiencies in the production process, quality control in terms of production and blueprints for new models of production and consumption. It can handle huge volumes of administration and management of automated systems. This industry is estimated to be growing at an annual rate of **over 45 percent**.
- Automated manufacturing can be expensive and requires skilled labor to maintain, but it can produce goods at precision levels beyond what people can make, as well as at **increasing volumes**. 3D manufacturing is a universalizing process: one machine capable of producing a dizzying number of products that already competes with some products from global supply chains. Many companies are locating back in **deindustrialized New York** and

- other U.S. cities on the back of 3D manufacturing.
- Recent major advances in energy production—from solar and wind to geothermal and energy storage—are the holy grail of non-carbon energy sources, permitting solar and wind industries to compete on a 24-hour basis with carbon-based fuels, giving more weight for policy planners to minimize fuel imports and revisit dormant energy alternatives.
- High-speed data transfer—enabled through satellites and huge server farms—is necessary for the multi-location management and logistical coordination of the segments of the new supply chain: the means of information transfer and the capacity of one hand to know what the other is doing.
- The rise of nanotechnology—the capacity to engage in precision design and manufacture at a molecular scale—presents humanity with a new frontier of materials and products that have capabilities beyond what we currently know in terms of materials, products, medicines and much more. Products ranging from glass to suntan lotion are already vastly enhanced by nanotechnology production. Qualities of human-made materials such as those designed for fireproofing, bulletproofing, insulation and space travel are in the midst of being revolutionized. Medicines can be deployed through nanotechnology at the molecular level, vastly improving their effectiveness.

The collective strength of these technologies will diminish the appeal of finding cheaper labor outside a country's borders or common market—and the costs they entail. Countries that are advanced along these lines and have access to the minerals required to engage in this form of production will prosper, plugging into their existing consumer market and building up a head of steam that will eventually lead to a new chain of international exports and imports. These trend lines will accelerate the decline of brick-and-mortar retail and service industries.

Export-led economies that grew on the back of a labor price advantage will find themselves in a role reversal of having the option of importing better goods from the markets they once exported to or paying intellectual property (IP) licensing fees to produce them domestically. The geopolitical advantages that went with offering a developing country a labor role in a global supply chain will be replaced with discounts on IP licenses or imports.

The past phases of industrialization saw an ongoing contest among wealthy countries for control of petroleum, minerals and shipping lanes, using all their available powers to obtain them. The historical pattern is that residents of the resource-rich and undeveloped countries suffer far more than prosper in the mineral extraction and export process to wealthy markets. Barring a major shift in attitudes to wealth distribution or successful political resistance to exploitation, the pattern will likely continue, with the wealthy countries' preoccupations pivoting increasingly from carbon energy resources to the components of the new economy: cobalt, lithium and rare metals. Resources that sustain the present and future economies, like iron, copper and gold, will

continue to retain their strategic value.

Much of Europe and Asian countries like China, South Korea and Japan are poised for the transition. Based on their traditions of rigid state-driven capitalism, these nations instinctively grasp how state capacity and direction can help drive further industrial development. It remains to be seen if the U.S. is fully capable of it. That is unlikely, if the prevailing neoliberal ideology persists, limiting the role of the U.S. government to be, at best, a neutral umpire that sustains efficient, rent-free markets able to supervise the delivery of an increasingly narrow set of public goods (as opposed to an active participant in industrial policy).

The U.S., with thousands of advanced research institutions, is certainly capable of the next stage of economic development. It has a developed market and a partial manufacturing base. But it also has a long history of wage-avoidance for its workforces and an utterly dysfunctional political process. You need nation-state competence and highly skilled labor in this new world, as well as a willingness to expand ownership and dividend models to workers and the governments that funded the research for this advanced economy.

The coronavirus pandemic will force the U.S. and other countries to stop making distinctions between low-tech business (supposedly fine to offshore) versus high value-added industry. Not only can production lines be altered to cope with shortages (as China is doing), but there is often a continuum in the industrial ecosystem.

Consider the case of surgical masks. Even though their production is ostensibly a low-tech commodified business, the critical inner filtration layer of a mask, which allows the wearer to breathe while reducing the inflow of possible infectious particles, is a high-end business: Costing “**upward of [\$4.23 million] apiece**, the machine that creates this fabric melts down plastic material and blows it out in strands, like cotton candy, into flat sheets of melt-blown fabric for face masks and other filtration products. A similar line of machines can create a related kind of fabric, called spun-bond fabric, also used in face masks and in medical protection suits worn by health-care workers,” according to a report carried by National Public Radio.

The point is that there is a continuum. One creates the demand for the other. Eliminate one industry and another potentially dies, much like a biological ecosystem. We now know that when forests are cut down, at some point if the surviving forest is too small, the whole ecosystem collapses. The ecosystem has to be large enough to encompass all of the niches that make it work.

If the machine tool industry is allocated in one country, the textile industry in another, the steel industry in another, the whole thing becomes much more delicate and inefficient, depending on a greater range of variables to succeed.

Crucially, the speed with which innovations can ricochet around the system decreases significantly. When Japanese auto manufacturers have access to Japanese machine tool makers, they can get at the machine tool advances before GM and Ford. Proximity becomes a competitive advantage.

All of which helps to explain why the distinction between offshoring hardware while retaining software is not only fatuous but damaging to long-term economic welfare.

Offshoring left the U.S. unprepared for COVID-19. It has also occasioned a widespread reassessment of globalization: What was once seen as the heretical refuge of economic nationalists has now become respectable again. Even without this pandemic, the foundations of America's economic model were failing and becoming rapidly obsolete.

The question is: As the world moves to a post-carbon future, can the U.S. economy take away the primacy of rent-extracting sectors like finance, insurance and real estate; Hollywood films, smartphone apps, or increasingly irrelevant sectors like oil and natural gas exports, and join the leaders of the pack? Or is coronavirus merely the pandemic that presages a more terminal disease?

This entry was posted in [China](#), [Doomsday scenarios](#), [Economic fundamentals](#), [Free markets and their discontents](#), [Globalization](#), [Guest Post](#), [Pandemic](#) on [April 3, 2020](#) by [Yves Smith](#).

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63 COMMENTS

thoughtfulperson

April 3, 2020 at 7:42 am

[Or is coronavirus merely the pandemic that presages a more terminal disease?]

Given the oligarchal control of the political system, decisions will be taken to profit the few and not to build a new economy. Therefore I would go with the more terminal disease, here in the USA.

Perhaps some other countries that have functionality left in government and retain the rule of law may do better?

Reply ↓

Rolf

April 3, 2020 at 10:50 am

Along those lines of "*Whither now, America?*", there's an interesting piece in Foreign Affairs by Mark Blyth, "The U.S. Economy Is Uniquely Vulnerable to the Coronavirus", how our (US) consumer-spending-driven growth model coupled with a political refusal to do anything that would actually benefit labor don't bode well.

<https://www.foreignaffairs.com/articles/americas/2020-03-30/us-economy-uniquely-vulnerable-coronavirus>

Reply ↓

John Anthony La Pietra

April 4, 2020 at 3:07 am

This post makes me want answers to two questions:

(1) How did the (AFAIK) British expression "taking a decision" come into being?

(2) When do we start taking some decisions back?

Reply ↓

Croyco

April 12, 2020 at 1:56 pm

Then it is time for Revolution.

Q sent me

Reply ↓

April 3, 2020 at 7:48 am

That Covidian 2010/2014 Ventilator story seems to be everywhere.

Irony, paradox, or perversion that the company name is COVIDian?

2010/2014. A lot of pork and stimulus flowed out via Wall Street and Banks under the watchful eyes of Biden and Obama.

Reply ↓

Off The Street

April 3, 2020 at 8:25 am

3M gets its turn in the barrel via a very public display of the DPA, so mulling moniker manipulation to Money Misplaces Morals?

If more people knew what passes for brand equity these days, they might have more concern about hidden inequity.

Reply ↓

wilroncanada

April 3, 2020 at 4:21 pm

The Trump announcement this morning that 3M was no longer going to be allowed to sell masks, etc to Canada was a surprise to Canadians, and to 3M, I think. Justin Trudeau, in his daily report this morning, said something like: (not a direct quote) We are working with the United States on how we can work as partners...blah blah blah. He knows, as do many people out here in BC, that much of the raw material for non-N95 surgical masks, gowns, and other items sold by 3M, is a specialized wood product, K10S, made by the Harmac pulp mill on Vancouver Island. The announcement was just another one of Trump's bullshit sops to his ignorant xenophobic base from a butt-ignorant President.

Harmac, by the way, is a worker-owned company, bought from one of the major transnational (read US) paper makers who was going to shut it down and ship out all its equipment.

Reply ↓

JE

April 4, 2020 at 11:22 am

Harmac! Interesting. In my opinion, the model of employee owned businesses is a strong way forward. Hopefully states and municipalities across the US (and the world) can learn from the cv19 outbreak that

they are on their own, the powers that be are only looking out for number 1, themselves. Taking this lesson and investing in local capabilities for essential and innovative businesses and products. Turning brown fields and empty structures over to start ups at low rates or gratis with requirements for employee owned, C-suite pay-capped, corporate structures to revitalize the local job market away from the service, rentier, race to the bottom model.

Reply ↓

jrkriveau

April 4, 2020 at 10:06 pm

Someone on CBC also mentioned that ~1,000 nurses who work in the Detroit area live in Windsor. Interesting.

Reply ↓

Socksofthewiz

April 3, 2020 at 7:59 am

Other than dysfunction, what prevents a state like California or New York from manufacturing its own emergency medical stockpile. Publicly owned, privately owned, who cares, just get it done.

In the absence of a federal government doing anything of substance for the non-corporate persons of this country, a state should lead the way. Starting with emergency medical supplies could set a good percent and be helpful.

Reply ↓

Turing Test

April 3, 2020 at 10:54 pm

Manufacture medical supplies with what? The US has spent the last four decades offshoring its industrial base to China in pursuit of fatter profits. American culture furthermore disdains manual labour as undignified and low value while lionizing an entire class of people whose main vocational skill is shuffling data around on a computer. As a result the US has neither the manufacturing capacity nor the design and production expertise to rapidly adapt to the new reality.

It's a grim reality but it is the reality the US is currently confronting.

Reply ↓

John

April 3, 2020 at 8:19 am

And a lot of pork is flowing out today under the “watchful eyes” of Trump and Pence; why is it that the pork never flows to those whose livelihood has vanished while those whose profits are diminished benefit so largely? And why is it that the means to produce, to manufacture, resides in China and elsewhere? The answer: that is where the greatest profit is to be found and after all is there a more noble goal than increasing shareholder value and providing bigger bonuses for the clear eyed leaders at the top. Ayn Rand smiles.

Reply ↓

Ashburn

April 4, 2020 at 4:46 pm

“And a lot of pork is flowing out today under the “watchful eyes” of Trump and Pence.”

You forgot to also mention the watchful eyes of Steve (Foreclosure King) Mnuchin. I would bet that much of this pork will go to swing state manufactures and suppliers in the coming months, and “economic stimulus checks” to the public, say just after Labor Day, as election season starts up. The Democrats unanimous consent to handing over trillions in spending authority for Trump and Mnuchin to use as they see fit would be hilarious if it were not for its likely fatal effects.

Reply ↓

xkeyscored

April 3, 2020 at 9:03 am

Talking of opening the curtains, BBC World radio had an interview with Noam Chomsky last night.

No surprises from Chomsky; he touched on several of the points in this article (but avoided mentioning Iran in '53 and Guatemala in '54 in every sentence). What was surprising was that the interview lasted eight minutes, and Chomsky spoke for most of that time. The interviewer didn't interrupt, belittle or ridicule him in any way, and more or less acknowledged that ideas like these seem to make sense. Not at all what I would have expected last year or before.

Ideas like these are indeed coming out from behind the curtains.

Reply ↓

Mike Riddell

April 3, 2020 at 9:04 am

What about the rise of the conscious consumer and the fact that our western economy is underpinned by consumer spending?

Where is 'values' and 'value' in this piece. Soft power? Impact investment? Community?

Fair enough as far as it goes but localisation and community capacity building and new forms of wealth are what we are working on here in Stoke on Trent (UK).

Reply ↓

Chris R

April 3, 2020 at 5:32 pm

Mark, do you have a link to any of the work you are doing in Stoke?

Reply ↓

PlutoniumKun

April 3, 2020 at 9:23 am

I think its certainly true that the pursuit of 'efficiency' through open and free trade is now a dead idea. Certainly in Europe there was always a conflict between those countries with more mercantilist and localist traditions (Germany, France) and the 'liberals' of the UK and the Netherlands and, surprisingly sometimes, the Scandinavian countries. The South Koreans and Japanese never conceded the need to maintain tight national control of key industries, although they may now change their ideas of what constitutes a key industry.

The Chinese response will be interesting – its been a core national policy for a long time to gain tight strategic international control of certain supply chains – best known of course in rare earth production, base chemicals for pharm and solar panels – but this may backfire on the country as everyone else realises what a bad idea it is to surrender your sovereignty in this way. The Chinese can be very pragmatic (as shown by their quiet retreat from trying to make the RMB an international reserve currency), they may themselves quietly reverse their position.

Reply ↓

a different chris

April 3, 2020 at 10:32 am

>I think its certainly true that the pursuit of 'efficiency' through open and free trade

Don't be so sure. They took one hard in the mouth but once things die down they will present their own story on how things went wrong and how to address it. It will be a dressed up version of what we have now and it won't scare people and they'll likely fall for it.

Call it the Bidenism of the West.

The non-western parts of the world, well that will be interesting as per your "Chinese response". They already make everything, now they will start thinking "why do we work long hours to ship stuff that we mostly can't afford to buy ourselves to useless eaters in the West?".

Reply ↓

HotFlash

April 3, 2020 at 10:49 am

Well, tie me up and call me a Luddite, but this 'new model' just looks like the same old groaf-for-groaf's sake via other means. I do not see anything that an ordinary human might look forward to in this future. Swap in the control and mining of 'strategic minerals' for fossil fuel extraction? Hurray! Big corps still get the profits, the military is still needed, workers get replaced by IA and 'smart' 3D machines and we get what? More iPhones that need replacing annually? More 'fast fashion'? More processed food? More inflatable yard Santas? More and more useless, unnecessary, ugly, unhealthy, earth-destroying 'stuff' to 'consume'?

"Consumers, do your duty!"

We really need to have a conversation as to what it is good for our species to do.

Reply ↓

JE

April 4, 2020 at 11:25 am

My hope is that the experience of sequestering in place has shown people what is important in life. Time to think, time with family, and true experiences rather than "groaf" and money. Then we can talk about what we as a species should focus our efforts on. We shall see.

Reply ↓

Rolf

April 3, 2020 at 11:00 am

Apologies if this gets double posted. Along the lines of “Whither Now, America?”, there’s an interesting piece in Foreign Affairs by Mark Blyth, “The U.S. Economy Is Uniquely Vulnerable to the Coronavirus”, on how the US consumer-spending growth model coupled with the political refusal to do anything that would support labor directly don’t bode well for the US.

<https://www.foreignaffairs.com/articles/americas/2020-03-30/us-economy-uniquely-vulnerable-coronavirus>

Reply ↓

witters

April 4, 2020 at 5:28 am

It deserved a second reading.

Reply ↓

Seamus Padraig

April 3, 2020 at 11:04 am

Well, I now have the dry, intellectual satisfaction of having been proven right on globalization decades later. Unfortunately, it’s very and *not* very satisfying. :-)

Reply ↓

chuck roast

April 3, 2020 at 11:13 am

When you have lost Martin Indyk...well, we can only hope that, unlike the post-GFC, the *ancien regime* will not return.

But, what will replace it? Or more precisely, what will it morph into? Interesting that Seymour Melman’s name has been popping up with increasing frequency. Now that the conventional wisdom appears to be faltering, the estimable Melman is being resurrected out of the ashcan of history. Now here is a fellow who knew a thing or two about the crucial question of the discipline of Economics. “Abundance or scarcity?” It’s that simple.

When you have developed a modern manufacturing economy whereby the concrete conditions are capable of delivering real abundance to the general populace, there is only one thing to do. You must develop a post-modern economy where by the conditions are entirely counterfeit and the general populace is made to face the facade of scarcity. That is the real contribution of

Seymour Melman. He analyzes the pathological and anti-social nature of capitalism.

And so, it seems we now have a new Black Plague. Centuries in the making and made more virulent by our political economy. Ironic that the old Black Plague loosened the prevailing social and economic bonds enough to spell the end of Feudalism. There has been some discussion that we are actually in a new kind of Feudalism whereby we are all made rent-slaves in this political economy of scarcity. Actually, it's worse than that. At least under Feudalism the lords had some duty to attempt to keep their serfs whole during difficult periods. If our current over-lords have any such duty, it has entirely escaped me.

Ten million made without the means of support in two weeks in one country? Let us see to it that the new concrete trucks spin a blend that benefits the many and not the few.

Reply ↓

deplorado

April 3, 2020 at 3:11 pm

Thank you, illuminating comment.

Reply ↓

deplorado

April 3, 2020 at 3:36 pm

I am not hopeful about the new blend.

Auerback's puts all the emphasis on technology – while we know that technology, just like globalization, is not some impersonal force but controlled by decision makers. Technology will save no one in the new coming world.

(And can it? Exactly 7 years ago, Google was giving free rides to the public in their autonomous vehicles. They don't have the tech ready and they have stopped the public rides.)

Reply ↓

Tomonthebeach

April 3, 2020 at 11:23 am

We should acknowledge that our shabby US tax policy drove, or at least enabled, much of our production to move overseas. Since the 20s, multinational

monopolies have ripped off the USA by creating overseas shells claiming that profits were not US profits. They benefit from our Navy's protection of their shipping, but the workforce – not the owners – pay the taxes for that. We should demand that US corporations live and produce mainly in the continental USA or suffer a tariff when they import essential parts to the USA. The tariff would not be to punish other countries but to discourage overseas dependencies.

No US medical company should have overseas operations except to harvest natural resources (chemicals and botanicals) needed for drugs. We are oil and food independent, but almost everything we use involving technology is invented here and manufactured someplace else. That just has to stop or will wind up kowtowing to foreign powers soon enough.

Reply ↓

Ping

April 3, 2020 at 11:29 am

Covid irrefutably exposes the vulnerability and fallacy of our international “free trade” economic model to almost every citizen and should put a stake thru the heart of the neoliberal thesis that our largely unregulated, predatory form of capitalism replaces a robust public safety net.

Soon many reshaped debates will be in focus, especially our health care structure.

According to this article, mining will be a priority and with terrible ramifications. Here in Tucson, we have fought a long battle against authorizing one of the largest copper mines in the world, which would drain our drought stricken groundwater, damage infrastructure, generate massive pollution. This irreversible destruction so a Canadian company can export copper to China (another TPP formula trade deal) justified by around 500 hundred jobs for something like 10 years. The recent ruling linked below has caused shock waves in the mining industry who will regroup and lobby lawmakers to make it legal to dump hundreds of acres of tailings on public lands.

https://tucson.com/news/local/shocking-blockbuster-rosemont-mine-ruling-has-national-implications-experts-say/article_55dd98cc-128b-5105-9590-186f8c2c1e8f.html

Reply ↓

Kirk Seidenbecker

April 3, 2020 at 11:30 am

‘Demolishing Neoliberal Development Myths’ – By Eric Reinert –

<https://youtu.be/pBXRWh2US84>

Reply ↓

K teh

April 3, 2020 at 12:03 pm

Feudalism has simply increased the complexity of its facade.

More debt, more technology, more efficiency.

The facade fools those who want to be fooled.

At least the capitalists are honest about wanting to clean your clock, rather than pretending to care.

Expecting any corporation – public or private – to really care about anything but its own tribe ignores the charter.

Reply ↓

eg

April 3, 2020 at 1:51 pm

The names have changed, but the roles remain the same ...

<https://images.app.goo.gl/8ups2rkbtRCLYAir6>

Reply ↓

K teh

April 3, 2020 at 2:46 pm

Statistics is not science, “but trust us, we are the scientific experts and we have the data to prove it. We look in the mirror and build a model, with best practice.”

And if it doesn't work, you pay, because we have the monopoly on knowledge, which is power.

The public debt load will increase.....that's different.

Reply ↓

Susan the other

April 3, 2020 at 12:08 pm

The question is, Can the US change? Can we become a nation of “economic nationalists” again? The answer is yes. We have a prosperous continent as our

“region” – Canada, the US and Mexico – surrounded by two oceans and the Caribbean. We have expertise. We have people; we have all the natural resources – but unfortunately we also have an “utterly dysfunctional political process.” But on that last item – I was surprised to see how fast Congress got the lead out. They actually did something! – which means only one thing: they are terrified, and so they should be. So don’t let’s all faint at once. When Auerback says “The (economic) ecosystem has to be large enough to encompass all of the niches that make it work” he is making the case for the abandonment of neoliberal profiteering. To be precise, he is asking us if we have the capacity to dump our neoliberal ideology in favor of either state capitalism or social democratic capitalism. Because we can’t accommodate a healthy national economy and predatory neoliberal inequalities at the same time. It’s so funny that the very thing neoliberalism hoarded with jealous greed was money. No? And that is the thing we will use to change neoliberalism.

Reply ↓

Susan the other

April 3, 2020 at 12:16 pm

Also just one more thing. I wish Auerback had spoken about remediation. We have devastated the planet with neoliberal cost socializing and environmental exploitation. We have almost killed it. And the atmosphere really can’t absorb any more CO₂; nor can the oceans. The situation is beyond dire. We need to devote ourselves to fixing the mess we have made. And turning our attention to this requires a rejection of old manufacturing practices – like the EU is doing with their Green Deal. The mess can’t be cleaned up by high tech, automation and miniaturization alone – we need some old-fashioned hands on dirty work. We could begin with a good recycling industry that is designed to use those products in cleaner manufacturing processes. I really don’t know why this subject is so avoided. We’ve got giga-tons of garbage to deal with here and now.

Reply ↓

Rod

April 3, 2020 at 1:20 pm

Agreed.

On your point of remediation—in dialogues I have been trying to reframe this as:

Decommissioning and Realigning the Economy as in action that is planned, deliberate, and with an intentional outcome.

Reply ↓

JEHR

April 3, 2020 at 2:51 pm

Canada is not your 'region.'

Reply ↓

Susan the other

April 3, 2020 at 4:03 pm

apologies – I just meant our region of the world with which we could trade easily – a good step back from global trade and environmental devastation.

Reply ↓

Susan the other

April 3, 2020 at 4:08 pm

sorry, my apology got lost in the shuffle – I mean to say that Canada is in our region of the world so we can trade more efficiently without long global trade routes and supply lines and have better control over the pollution consequences of manufacturing and etc.

Reply ↓

Jeff

April 4, 2020 at 9:03 am

Holy crap, I didn't read it like that, but definitely understand why you did. That's really the biggest hurdle to overcome.... The US voter having a wisdom to choose better leaders. There's zero evidence we have that capacity.

Reply ↓

Kevin Carhart

April 3, 2020 at 3:11 pm

If macro-neoliberalism in the form of institutions and politicians can be changed, what will be the relationship between that and the person-sized neoliberalism from Mirowski's "everyday neoliberalism" chapter? I think he is suggesting that part of why nothing changed after 2008 is that the top-down

neoliberalism got strength from the bottom-up by all of the small and medium-sized reinforcement systems. Lester Spence points out a rather scary lyric from Jay Z: “I’m not a businessman, I’m a business, man”. Tons of celebrities model this kind of thing, and exhort fans to emulate them. Would this ever evaporate quickly? Even if material conditions lead and ideas follow, I don’t know that it would. Nobody is talking lately about the use of youtube as a machine for making small channelmakers cross their own red lines for the views, and sensationalize over time. (Described in the VPRO film on YT and in Rushkoff’s Frontline.) Platforms enforce neoliberal values and it seems that under stay-at-home orders, Youtube, Facebook and the smartphone OS designs have their addictive “variable-schedule reward” characteristics sidestepped for another day because it’s a substitute for going out in the world. Some changes in international banks and Bretton Woods-type systems are not going to loosen the grip of the other neoliberalism, are they?

Reply ↓

Susan the other

April 4, 2020 at 10:28 am

Makes me wonder if identity politics had this agenda in mind – instead of coming together over our common goals they want us to separate even more into our economic niches. Broadening the “base” for a neoliberal order.

Reply ↓

Susan the other

April 4, 2020 at 11:30 am

People have been asking how “capitalism” will end, or how “monopoly” economics will end, or how “globalization” will end at least since the GFC – say a decade of dissatisfaction. I think we are looking straight at it and it is not the pandemic, it is the paralysis – all this chaos, which we call neoliberalism for short, is imploding. To twist a phrase from Hudson, What can’t go on, won’t go on. I think we gave the neoliberal catastrophe of 2008 all this time to come back – and it could not. Because it was nonsense to begin with.

Reply ↓

Ignacio

April 3, 2020 at 1:12 pm

There are also multiple examples of companies acquiring smaller innovative companies “solely to discontinue the target’s innovation projects and preempt future competition,” according to researchers Colleen Cunningham, from London Business School, and Florian Ederer and Song Ma, both from Yale

True, true, true. Specially in the HC sector.

Reply ↓

coboarts

April 3, 2020 at 2:37 pm

This is the most important article posted ever, here or anywhere, since I’ve been following NC (2007)!

Reply ↓

Oregoncharles

April 3, 2020 at 3:26 pm

“There are also multiple examples of companies acquiring smaller innovative companies “solely to discontinue the target’s innovation projects and preempt future competition,””

Concentration of businesses is NEVER in the public interest and should not be allowed at all, short of (court-certified) bankruptcy. This is absolutely fundamental market theory; literally no economist has the slightest excuse for justifying mergers, acquisitions, etc. That’s a measure of how fundamentally corrupt economics is, with rare individual exceptions. Nor is the impact of monopolization a mystery to the public.

The above is just one example of the reason. Furthermore, our present plight is proof that existing anti-trust law is ineffectual and an invitation to further corruption.

Reply ↓

Oregoncharles

April 3, 2020 at 3:54 pm

A good, hopeful article, but the beginning, after the first paragraph, is little more than wishful thinking about how we might get there. In fact, as things stand the route is not at all clear, barring complete collapse. I realize that that is a large topic that would require a separate article, but it should at least be acknowledged. When they say that our politics are dysfunctional, they essentially say that we can’t get there from here, since the decisions are

ultimately political.

For a model, look up “Ecotopia Emerging,” by Ernest Callenbach. It’s the back story to “Ecotopia.” Disturbingly, it involves atomic bombs used as a threat. Prophetically, it also posits that Ecotopia’s separation occurs during a US war in the ME, and involves the US government essentially deciding that the ME was more important than the Pac. NW. Interesting stuff. But at least it does provide a back story.

Reply ↓

c_heale

April 3, 2020 at 4:19 pm

This whole article is based on assumptions. Especially the section with bullet points. I will deal with each point individually.

AI computing... – there is a lot of evidence that the level of AI currently achievable is vastly overblown, and that as it is a black box, it cannot be effectively tested...

Automated manufacturing... – a lot of this low hanging fruit in this area has already been picked.

Recent major advances in energy production... – what recent advances in energy production? I don’t know of any. I don’t think we have the energy to make a transition to renewable energy in any case. Geothermal energy produces vast amounts of Hydrogen Sulphide which is a potent greenhouse gas (a family member works in geothermal).

High-speed data transfer... – server farms use vast amounts of energy for cooling. The rest of the paragraph is guff.

The rise of nanotechnology.. – nano particles are potentially very dangerous since they can move between cellular barriers in the body. Making them for stuff like cosmetics and sunscreen is not a good thing.

Japan, China, and Korea, cannot be classed as having state driven capitalism any more. (In Korea, where I am based, that was the economic model of the 1970’s and 80’s, driven by fascist dictatorships.) What they have now are versions of hypercapitalism based on chaebols.

Although this article makes a few good points, it is full of techno positivism in the worst sense. It is one of the poorest articles I have read on Naked Capitalism (I’ve been reading it since about 2007, too).

Reply ↓

April 3, 2020 at 8:35 pm

compelling counterpoint. thanks.

Reply ↓

Scott1

April 3, 2020 at 8:51 pm

c_heale I am in agreement with you.

I live in the US and it is by choice for earlier in my life

I had the opportunity to chose to live in Canada.

If I was young and shopping for a nation to change allegiance to I'd be looking closely at Uruguay since it is much as what we had reasons to expect the US would have become by now.

What you want is a nation of people who love their country and like living in it.

I didn't know that the America I loved was the one FDR had left me, but now that that America is gone I do.

It does not look to me as if the US wants to keep its promises to its people.

From the corporations that could get out of paying the pensions they promised to the Federal Government that refuses to pass a living wage and provide healthcare and education when the only reason for not doing so is so the few can become oligarchs.

In breaking its promise that working hard will be honored we will see the honor given the dollar fade. That is what I expect to be the outcome of this state of affairs.

P.S. Will the US produce a vaccine before China when China has the head start on producing it because they got the disease bigger first, or will US 3D printers make better things with better filaments than German or Chinese 3D Printers? Will Boeing make real inexpensive flying machines with their bigger 3D printer? I will be dead by the time they do or don't. I was promised a flying car damnit.

Reply ↓

deplorado

April 3, 2020 at 9:08 pm

I agree with you and would have said the same. I think Auerback has written similarly lightweight stuff before.

Reply ↓

run75441

April 5, 2020 at 11:25 am

“chaebols” very true in Korea. I worked with one of the top 10 (he is probably closer to the top) there for several years. One never knows everything there.

I did not care for Marshall’s points or much of his article either; but then, I am someone who has to make things happen and come from a different perspective.

Thank you for your comments.

Reply ↓

Daniel Raphael

April 3, 2020 at 6:15 pm

Nothing short of socialism will bring the necessary solutions—and it’s well to keep in mind that, as dire as the virus is, the ecological catastrophe is even more so. Capitalism destroys our lives and the planet we require for our lives. To paraphrase Rosa Luxemburg’s famous dictum, we now face a choice of either socialism or extinction.

Reply ↓

Societal Illusions

April 3, 2020 at 8:32 pm

let’s be mindful that the extremes of the new system aren’t just as toxic as the extremes of the old...

Reply ↓

RBHoughton

April 3, 2020 at 8:58 pm

“Asia has rigid state-driven capitalism” eh? Why do these stereotypes keep appearing, even here in a thoughtful and persuasive crystal-ball gazing article.

Noam Chomsky mentions the medical tech companies that used to infest his academy, all vacuuming-up the results of government funded research that became their own products and profits until the flavor changed to digital tech and a whole new bunch of interlopers moved into the former pharmaceutical offices.

Its not just the academies either – wasn’t NASA largely funded by government?

Reply ↓

Tom Stone

April 3, 2020 at 9:07 pm

The USA has an utterly dysfunctional political process.

There is no mechanism for peaceful or orderly change.

It's going to get very messy indeed, and soon.

Reply ↓

drumlin woodchuckles

April 3, 2020 at 9:09 pm

“Export their goods to the rest of the world” is a false and evil goal. It was evil when Imperial Britain worked to destroy and prevent development everywhere within its grasp to keep its victim possessions in a captive market state, and it is evil when it is China seeking to destroy production throughout the world in order to be the only seller to helpless captive markets today, and it would be an evil goal for the EuroAmericanAsian countries to simply revert back to seeking to victimise the whole rest-of-the-world with EuroAmericanAsian exports.

“ The last shall be first and the first shall be last” doesn't change the game of “first and last”. It just switches the players around like spark plugs , or rotating tires.

Every country-state should be as autarkic as possible in producing all its own survival necessities from the lowest tech to the highest tech. There should be as little trade as possible between anywhere and anywhere. And those country-states which are too small to do this on their own might try forming little autarkizone blocs for production-for-consumption within the bloc, and as close to zero-trade as possible between the bloc and outside countries.

Reply ↓

Paulstan

April 4, 2020 at 1:04 am

I was directly involved in manufacturing site selection for a Fortune 500 electronic firm in the 1980's, and need to say that it's a myth that labor costs drive these decisions. The *much* larger factor has been, and I suspect continues to be, tax policies. In the end, labor cost differentials are not what has driven offshoring.

Reply ↓

Dick Burkhart

April 4, 2020 at 1:37 am

This account of an ever more high tech world is missing a key ingredient: Where does all the cheap energy come from to make it happen? Key fact: Only about 20% of the current energy usage in the US is electrical, subject to relatively easy replacement by solar and wind. Moving heavy industry back on shore will only increase the demands for what is currently non-electrical energy. So we'll need a huge transformation of infrastructure and technology that will be very costly itself in terms of energy and materials.

There are some contradictory trends here that won't easily sort themselves out.

Reply ↓

cripes

April 4, 2020 at 2:28 am

drumlin

Generally speaking true that "free" trade as practiced has been a disaster for developing countries and the labor force in developed countries arbitrated into poverty by it. The ecosystem has suffered as well.

I would be interested to learn more about where inter-national trade has had beneficial effects in history, The Silk Road? There must be a place for trade between nations that is not necessarily exploitative and destructive. Cultural exchanges? Medical missions?

Clearly it must promote improved living standards in low income countries while protecting living standards for workers in developed countries, protect the planet and rip the neoliberal profit disease out root and branch. I don't envision a world where making Bic pens cheaply and shipping them 10,000 miles makes any damn sense. Or ventilators or surgical masks.

Pretty sure there is some room for Russian literature, French cheese, even Hollywood movies though I'm not a fan. And smaller countries by necessity will need to be part of trade relationships that can supply commodities they are not geographically or industrially capable of producing within the national economy. Bananas? Automobiles? Copper? Wine?

Make your own list.

Maybe this is an historical opportunity to breath life into the ideal of proletarian internationalism and solidarity, from rent strikes to international medical missions, moratoriums on armed conflict and seizing financial power from banks that wield it on behalf of predatory speculators in favor of the general welfare instead.

We are experiencing a great consciousness shift on a global scale I never

imagined seeing in my lifetime.

Will it be born or still-born.

The possibilities are both scary and inspiring.

For once I agree with Rahm, never let a crisis go to waste.

They won't and we shouldn't.

However, from a time even the Harvard Business Review made some sense, this evisceration of American "Free Trade" policies and a prescient description how badly the race-to-the-bottom turned out, for Americans as well.

The Folly of Free Trade

by John M. Culbertson

From the September 1986 Issue

<https://hbr.org/1986/09/the-folly-of-free-trade>

Reply ↓

farmboy

April 4, 2020 at 11:55 am

International trade in food, metals...all commodities will need continue under any future except depopulation in a planet wide scale. And intellectual properties too. Maybe all those necessities that don't really fit just in time inventory management very well anyway. Just look at world rice production and export and import. <https://www.worldatlas.com/articles/top-rice-exporting-and-importing-countries.html>

Reply ↓

Chauncey Gardiner

April 4, 2020 at 4:24 pm

\$USD reportedly again in short supply globally as the debt pyramid crumbles. Wonder how scenario Auerback outlined could also affect the world's principal reserve currency? Might be prudent to get out in front of it with a global reserve currency proposal akin to Keynes' Bancor proposal at Bretton Woods three quarters of a century ago, while some latitude to influence process and outcome remains.

Any elite will remain attached to a dying status quo and vigorously resist changes to a system from which they have derived great wealth, power and privilege. The Supremes' *Citizens United* decision and the concentration of wealth and power that have occurred make systemic change difficult, but the barriers are not insurmountable, particularly as economic dissolution occurs and presents opportunity for those who are open to it.

Financialization has gone hand-in-hand with globalization and the debt cycle.

So that's on the table, too... *fait accompli*.

“The secret of great fortunes without apparent cause is a crime forgotten, for it was properly done.” —Honoré de Balzac, French novelist; 1799-1850; in Part II of *Le Père Goriot*, 1835

Reply ↓

Portlander

April 4, 2020 at 4:47 pm

RE:

“Consider the case of surgical masks....”

NC has had a healthy debate on this topic. The last verdict I saw was that, in all likelihood, everyone should wear face coverings of some kind, even home made masks out of T-shirts—not to protect themselves but to protect others (because we may all be spreaders).

While this may help a bit, will it help enough to offset false confidence, which could prompt people to reduce social distancing?

If one sneezes or coughs while wearing a typical leaky surgical mask, or any other face covering, the covering will not prevent the shedding of significant virus laden aerosols in a plume of miasma. A cough or sneeze is an explosion of air that no face covering can contain. Those walking into that plume wearing less than n100 masks have little protection against the inhalation of the 0.12 micron covid-19 virus.

IMHO, it is absolutely scandalous that our health system puts health workers on the front lines working with masks that are not designed for adequate virus protection (n100), and not requiring those masks to be sterilized (e.g. in H₂O₂) several times per day. Too many are getting infected and are dying. This should not be very costly in relation to the protection afforded.

Then every household should have an adequate supply of n100 masks in the future, along with means for safe sterilization at numerous public sterilization stations. Maybe every large public place will be required to install germicidal UVC systems in their HVACs from now on, and take other measures as well.

This is the future we need to prepare for, folks. The next pandemic is just a matter of time. We can never allow the global economy to be held hostage in this way ever again, or our health workers to be put at such risk. And, amazingly, **the costs of such preparedness should provide trivial insurance in relation to the risk of doing nothing.**

Reply ↓

drumlin woodchuckles

April 6, 2020 at 3:28 pm

@Cripes,

Here is the world catalog's listings of where copies of John Culbertson's book appear to be at here and there.

<https://www.worldcat.org/title/competition-constructive-and-destructive/oclc/14358269>

I have tried briefly to find non-Amazon sources for finding a copy to buy and so far I haven't found any.

I will not link to a company which deserves extermination, not support.

Reply ↓

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