

“COMPETITIVENESS” IS PEACE

✖ I spent much of the day yesterday pointing out how stupid it was for Obama to put outsourcer, China nut, and TBTF bankster Jeff Immelt in charge of his Council on Jobs and Competitiveness. Meanwhile, Paul Krugman and Robert Reich have been focusing on Obama’s frame for the problem as “competitiveness.”

In his piece, Krugman calls the frame “hackneyed” (and Jeff Immelt’s op-ed on it “vacuous”). He then links to an older discussion on competitiveness of his, in which he explains,

The rhetoric of competitiveness turns out to provide a good way either to justify hard choices or to avoid them.

Reich makes largely the same point about how meaningless the term “competitiveness” has become.

Whenever you hear a business executive or politician use the term “American competitiveness,” watch your wallet. Few terms in public discourse have gone so directly from obscurity to meaninglessness without any intervening period of coherence.

Reich goes on to show how competitiveness might mean:

- American exports (which, if that was your definition, would require lower American wages)
- Balance of trade (which, if that was your definition, would lead to dollar devaluation and currency

wars)

- Profits of American-based companies, which, if that were your definition, Reich notes, we'd be doing great:

In case you haven't noticed, the profits of American corporations are soaring. That's largely because sales from their foreign-based operations are booming (especially in China, Brazil, and India). It's also because they've cut their costs of production in the US (see the first item above). American-based companies have become global – making and selling all over the world – so their profitability has little or nothing to do with the number and quality of jobs here in the US. In fact, it may be inversely related.

- The number and quality of American jobs

Reich argues that the only way to improve our “competitiveness” by that last measure—the number and quality of American jobs—is to make investments America is probably not willing to make.

The only sure way to improve the quality of jobs over the long term is to build the productivity of American workers and the US overall, **which means major investments in education, infrastructure, and basic R&D. But it's far from clear American corporations and their executives will pay the taxes needed to make these investments.** And the only sure way to improve the number of jobs is to give the vast middle and working classes of America sufficient purchasing power to get the economy going again. But here again, it's far from clear American corporations and

their executives will be willing to push for a more progressive tax code, along with wage subsidies, that would put more money into average workers' pockets. [my emphasis]

Now, as luck would have it, Krugman and Reich are having this conversation on the same day that Felix Salmon did this absolutely superb post, from which the graphic above is taken. The post takes this passage from Eisenhower's Chance for Peace speech and measures graphically how much more true Eisenhower's comparisons are now than they were in 1953.

Every gun that is made, every warship launched, every rocket fired signifies, in the final sense, a theft from those who hunger and are not fed, those who are cold and are not clothed.

This world in arms is not spending money alone.

It is spending the sweat of its laborers, the genius of its scientists, the hopes of its children.

The cost of one modern heavy bomber is this: a modern brick school in more than 30 cities.

It is two electric power plants, each serving a town of 60,000 population.

It is two fine, fully equipped hospitals.

It is some 50 miles of concrete highway.

We pay for a single fighter with a half million bushels of wheat.

We pay for a single destroyer with new homes that could have housed more than 8,000 people.

This, I repeat, is the best way of life to be found on the road the world has been taking.

This is not a way of life at all, in any true sense. Under the cloud of threatening war, it is humanity hanging from a cross of iron. [my emphasis]

Whereas, in 1953, each bomber the country built meant 30 schools would not be built, in 2011, each bomber means 86 schools will not be built (to say nothing of the schools we bomb in places like Iraq which lead to greater security costs here and even more war costs there).

If we want to be competitive, in Reich's terms, we have to stop wasting so much money on our war machine and instead invest it in our own country.

Now, in his older paper, Krugman points out that economic competitiveness is often a stand-in for political power.

It would be possible to belabor the point, but the moral is clear: while competitive problems could arise in principle, as a practical, empirical matter the major nations of the world are not to any significant degree in economic competition with each other. Of course, there is always a rivalry for status and power – countries that grow faster will see their political rank rise.

Which is why the definition of competitiveness is so important. Wikileaks cables make it clear we use our significant (though diminishing) political power to pressure other countries to buy the few products for which our country's corporations have a competitive advantage: Genetically Modified seeds, fast food, and—especially—war toys. That's what we've become, with the political power we gained with our past productivity and—more and more—our unrivaled military power.

And to achieve competitiveness—what Krugman calls “a good way either to justify hard choices

or to avoid them"—Obama has deployed a Military-Industrial contractor CEO and a lot of empty rhetoric.