

Cold War View Gives Way to Globalphobia in U.S.

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Last month, as economic turmoil in Asia threatened to spread to South Korea and Japan, Federal Reserve Chairman Alan Greenspan and Deputy Treasury Secretary Lawrence H. Summers rushed to Capitol Hill to explain why it was happening and what could be done to stop it.

Around the world, financial markets waited nervously for their testimony. But for an hour,

the two men sat silently as members of the House Banking Committee lectured them about human rights violations in Indonesia, the declining wages of blue-collar workers and the folly of using money from U.S. taxpayers to bail out foreign countries that were stealing American jobs.

When they finally got a chance to speak, Greenspan and Summers pleaded with committee members to increase the U.S.

contribution to the International Monetary Fund as the best way to contain the Asian contagion. But their pleas fell on deaf ears: Congress adjourned for a two-month holiday after stripping the new IMF money from the annual appropriations bill over an unrelated dispute over abortion.

This episode is the latest illustration of what many observers view as a retreat from the internationalist consensus that has governed U.S. economic policy for 50 years. No longer, it seems, is there an unchallenged belief that Americans are better off when their economy is open and their government assumes the burdens of leadership in world affairs.

The recent defeat of "fast track" trade authority in Congress was the most dramatic evidence that this consensus may be unwinding, but there are other indications as well.

The public remains largely opposed to U.S.-funded financial res-

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cues for foreign economies. Opposition to the Mexican bailout two years ago was so intense that the Clinton administration was reluctant to participate in the first of this year's Asian rescues in Thailand. In the wake of Congress's recent refusal to approve IMF funding led a top Fund official to warn Friday that the agency could find itself strapped for resources if it was called upon to deal with other looming crises.

There also is widespread concern that the United States has handed over too much authority to international organizations like the World Trade Organization, which last week ruled against Eastman Kodak Co. in its effort to open Japanese markets to American products.

Impatience with the old internationalism also is reflected in recent attempts by Congress to impose economic sanctions on allies that refuse to follow the U.S. lead on foreign policy issues.

Globalphobia

To Washington veterans, these are signs that the United States has become increasingly isolationist, protectionist and nationalistic in its economic affairs. They even have a name for it: globalphobia.

"This is a period of unparalleled lack of understanding and interest in international economic matters," complains Arden Judd, who for 28 years has been a lobbyist for Dresser Industries Inc. "You don't seem to have the appreciation of the importance of U.S. actions on the world scene."

James A. Baker, a former Republican secretary of state and treasury, said the past six months have evidenced "a regrettable retreat from the country's internationalist tradition."

One reason the old internationalist consensus lasted as long as it did is that policymaking was left to an elite group of Americans—public officials, economists, corporate executives and editorial writers—who cared deeply about multilateral institutions, embraced free trade and never doubted that the world was better off when the United States took the lead.

But as the globalization of finance and the dramatic increase in trade touched nearly every American as a worker, consumer and investor, the public has become less willing to defer to policy elites.

A large number of Americans blame that globalization for slow economic growth or a decline in their standard of living, even as they flock to imported goods and shift their retirement money to overseas investments.

At the same time, a wide range of special interest groups—from labor unions, environmentalists and human rights activists on the political left to Christian fundamentalists, anti-abortion activists and isolationists on the right—have become unlikely bedfellows in an emerging coalition that rejects the old consensus.

In addressing Summers and Greenspan last month, Rep. Barney Frank (D-Mass.) complained that, in the past, concerns about human rights or growing inequality were treated as mere distractions by policymakers.

"When adults sit down to serious business, other concerns get

brushed off," Frank said. "All that counts in the end is the mobility of capital. Well, let me tell you, that's about to end."

A similar warning was issued last week at Harvard University by House Minority Leader Richard A. Gephardt (D-Mo.), who called for a "new internationalism" that adheres as much to American values as it does to the dictates of the marketplace.

"In a new era of globalization, the forces of commerce and technology are weaving the world closer together but ... pulling our own people further apart," Gephardt said. "Our challenge is once again to link capitalism with values and standards."

Cold War Casualties

Such populist rhetoric on international economic issues has now become commonplace, used with equal effect by liberals such as Frank and Gephardt and conservatives such as commentator Patrick Buchanan, Senate Banking Committee Chairman Alfonse M. D'Amato (R-N.Y.) and Senate Foreign Relations Committee Chairman Jesse Helms (R-N.C.).

In the past, presidents and congressional leaders could justify internationalist policies as a necessary step to shore up the anticommunist fire wall during the Cold War, said Pietro Nivola, a scholar at the Brookings Institution. "Now, however, that large strategic architecture is gone, and things like free trade and support for the IMF are casualties of that," he said.

On Capitol Hill, perhaps no member of Congress carried the internationalist standard more proudly than Rep. Lee H. Hamilton (D-Ind.), a ranking member of the International Affairs and Joint Economic committees who will retire next year after 17 terms in the House.

Hamilton attributes the change in attitude to the passing of the World War II generation of politicians who "believed things were better when the U.S. led and we were willing to be the 911 for the rest of the world."

"But that premise is not shared by many people up here today," Hamilton said. "They are just much more skeptical of international involvement."

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Erik Peterson, director of the project on the new global economy at the Center for Strategic and International Studies, notes that because of retirements and elections, Congress has lost most of the centrist Democrats and Republicans, such as Hamilton, who formed the nucleus of the internationalist elite.

The House Democratic Caucus, he said, now is firmly controlled by liberal members from industrial states who are closely tied to organized labor, which casts a skeptical eye on free trade.

On the Republican side, he added, members attuned to the needs of Corporate America have given way to Main Street Republicans who are more focused on economic issues such as regulatory reform, tax cuts and balancing the federal budget. For them, international economic issues become vehicles by which they can gain leverage for domestic concerns.

These changes were evident in the recent defeat of the bill that would have given the president "fast track" authority to negotiate trade agreements that could be approved or vetoed, but not amended, by Congress. When such authority was first proposed back in 1974, the vote in favor was 323 to 36. But by 1991, President George Bush was able to win renewal by a margin of

only 40 votes. President Clinton, facing the prospect of certain defeat last month, pulled the bill before a vote could be counted.

Polling experts say this shift against free trade in Congress is not because of a change in public opinion back home. Karlyn Bowman of the American Enterprise Institute, a Washington think tank, said public opinion has long been evenly divided on trade and related issues and remains so today.

"I don't see this as a measure of new protectionism or turning inward," said Democratic pollster Stanley Greenberg. "There used to be a broad elite consensus that was strong enough to carry the day on trade, even in times of economic uncertainty. That's gone now."

Other analysts blame weak leadership in the White House and the Congress for the retreat from internationalism.

Paul Wolfowitz, dean of the School of Advanced International Studies at Johns Hopkins University, said that Presidents Reagan and Bush faced similar skepticism toward international involvement from the public and Congress but managed to prevail in the end. And as recently as four years ago, Wolfowitz said, Clinton overcame even stronger opposition when he won approval of the North American Free Trade Agreement.

"I suspect these recent policy defeats are more a sign of weakened presidential leadership than a rise in protectionist or isolationist sentiment," said Wolfowitz, an official in both the Reagan and Bush administrations.

International vs. Inequity

Others argue that the internationalists have undermined their position by overselling the importance of international trade issues and the value of globalism.

Robert Lawrence and Robert Litan, two Brookings economists, recently chastised fellow internationalists peddling the idea that trade increases the number of jobs in the economy through increased exports. In fact, they wrote, trade has no impact on the number of jobs but does improve the quality of jobs.

Some economists, such as William C. Cline of the Institute for International Finance, have begun to acknowledge that they were probably wrong when they argued for years that trade and immigration have very little to do with depressing blue-collar wages and widening the gap between rich and poor. Now, Cline and others say that if the internationalists are to win the upper hand, they have to deal with the inequality that results from globalization—coming up with realistic policies that transfer income from winners to losers.

"With our fairly rapid movement to free markets, we have accumulated a significant inventory of resentment by the losers in this process," said Robert Solow, a Nobel Prize-winning economist at the Massachusetts Institute of Technology. "And it's perfectly reasonable that we might decide not to go any further along that path until we find a way to be more vigilant in taking care of the losers."

Staff writer Clay Chandler contributed to this report.

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