

Book Review:

William Wolman and Anne Colamosca's "The Judas Economy: The Triumph of Capital & The Betrayal of Work"

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Reviewed by Jerry Harris

Chicago Third Wave Study Group

William Wolman was editor and chief economist for Business Week, and Anne Colamosca a writer for the magazine. Their publication of *The Judas Economy* is a frontal attack on the globalization of financial speculation, or as they subtitle their book: *The Triumph of Capital and the Betrayal of Work*. The book joins an important and growing body of work from mainstream liberals who have launched a Keynesian counteroffensive against the free market ideology of the conservative revolution. The author's analysis is a sharp criticism of unbridled capitalism, coupled with a defense of labor and an economy based on work. The strength, and weakness of the book, is that their analysis is firmly confined to the progressive outlook of the New Deal era.

Wolman and Colamosca's central thesis is that, "the impact of the cold war victory on the United States is the key to understanding every major economic trend now in operation." (p. 2) They argue it was this change in the balance of power that opened the entire world to capital penetration, and led to the triumph of free market ideology in its most dogmatic form. These changes, and not the technological revolution, are responsible for a "new phase of global capitalism." In fact, Wolman and Colamosca specifically target for criticism Alvin and Hedi Toffler, Jeremy Rifkin, Robert Reich and others who emphasize the powerful role of technology in the changing labor market and global economy. As they state, "Our contention is that it is the triumph of capital, not advances in technology, that has led to the betrayal of work." (p. 54)

As the authors see it, the end of the cold war allowed for a globalization of labor which now provides capital with a huge pool of cheap unskilled and skilled workers. In turn, this has broken the social contract and led to a dismantling of the economic gains enjoyed by workers in the developed world. The authors reject the idea that "the vast majority of Americans are simply not equipped to function in an age dominated by the knowledge revolution" (p. 48), or that stagnating wages for the majority reflect the rise of a small "cognitive elite." Rather they state that, "since the cold war ended in 1988, the economic incentives of capital to make concessions to workers in both blue-collar, and most recently, white-collar management jobs, has totally withered away." (p. 49) Thus American workers don't lack the skills or training to cope with new information technology, nor does the new technology necessarily destroy jobs. Rather it is the need and organization of capital on a world scale that has betrayed the American worker by seeking cheaper labor abroad.

This analysis undercuts Jeremy Rifkin who argues that information technology has ushered in the "end of work," and others who maintain that new technology has an absolute tendency to displace labor and so creates a permanent sector of rebellious unemployed. But neither do Wolman and Colamosca agree with enthusiasts like Toffler who say that the spread of new technology will lead to an explosion of new jobs and a rapidly growing dynamic economy. Rather, their analysis sees a world diffusion of information technology that works to converge wages globally and thus undercuts living standards in the West. Therefore, technology does create jobs, but through a low paid globalized labor pool. This position converges with those who argue that new technology will create

a large contingent labor force, with both its high and low skilled workers facing wage and job insecurity.

A consistently important point in *The Judas Economy* is the historically privileged position of the white working class. As the authors state, "The ties that bound European capital and European labor were perhaps most vividly, and confidently, displayed during the age of imperialism." (p. 14) But since 1988, for the "first time in capitalism's four hundred year history there is no longer anything intrinsically special about the role of white ethnic Europeans throughout the United States and Europe." (p. 2) World competition for industrial jobs is not the only consequence of globalization, but also a fight "for professional jobs that had been the nearly exclusive fiefdoms of white ethnic Europeans in industrialized nations since the beginning of modern capitalism." (p. 7)

Where Wolman and Colamosca err is in their overemphasis of the impact of the ending of the cold war. Capital faced a crisis of accumulation by the early 1970s, with globalization and the growth of financial speculation well under way before the fall of the Berlin Wall. The authors even use statistical data to show us that wages have been stagnating since 1973. The debate between technology or politics as the driving force of globalization misses the interlocking relationship between the two. Revolutionary technology allowed the creation of a new global command and production system, as well as powerful speculative markets. The development of these new tools of production helped capital escape its growing problem of stagnation. This system was being constructed as socialism collapsed, allowing for a rapid consolidation and qualitative expansion for this new regime of world accumulation. Thus the ending of the cold war is certainly an important factor in globalization, but only one key in a chain of events.

The second section of *The Judas Economy* is titled *The Betrayal of Work*, and exposes the many ways capital has attacked labor. Chapter four develops a fascinating analysis which compares China's Cultural Revolution to corporate America's downsizing in the 1980s. What first appear to be totally different experiences are actually similar social and economic attacks on professional workers, intellectuals, and middle managers. Also furthering their argument against technological influence the authors maintain the real motive for re-engineering was "to extend the control that capital exerts over work to an entirely new level." (p. 70)

Wolman and Colamosca also offer insights on the debate over technology and productivity. Technological enthusiasts have been trying to explain the lack of growth in productivity in the 1990s. Some explanations have been: 1) that it takes time for the diffusion of new technology to develop and appear in statistical data; 2) that the rapid changes in software mean workers are constantly behind the necessary learning curve; and 3) that corporations need time to adopt and learn how to properly apply knowledge technology and not just seek more information.

But Wolman and Colamosca offer data which show declining capital investments are matched by the growth of cheap labor. As higher rates of labor replace machines, lower rates of productivity result. As the authors state: "workers have been deprived of the aid of technology to surprising degrees because . . . the amount of capital available to each worker has been shrinking." (pages 76 -77) This ratio has been falling since the end of the cold war and so backs up their argument that "the failure of productivity to grow . . . lies in the unique characteristics of the present stage of capitalist development, a phase that has seen the emergence of a leviathan world labor force, and a weakening in the ties between capital and labor in the industrialized world." (p. 76)

But the authors fail to fully appreciate the impact of technology on global speculation and its influence on capital investment. Information technology has allowed the development of an amazing

array of new speculative tools and markets which dominate world finance. Money markets alone have attracted over \$400 trillion annually and drain capital investments in the real economy. It's not that Wolman and Colamosca are off target when they stress cheap labor, but they only present half the picture.

Chapter five is on the development of the computer industry in Bangalore, India. Here the authors pursue their argument about a global workforce which now includes skilled labor and professionals. Bangalore is the fastest growing city in Asia, not only producing its own software, but pulling in work from around the world. This city presents a clear example that the technological revolution isn't confined to the more developed nations. India is producing about 20,000 science and engineering graduates a year compared to the 80,000 in the United States. Again Wolman and Colamosca's insights into the privileged position of Western workers hits home as they observe that the time when "business only trusted ethnic Europeans with complex tasks" is over. (p. 104) What perhaps they don't fully appreciate is that professional jobs now finding their way into the Third World are those tied to the new technologies. Jobs such as computer systems operators and design engineers are globalized because the speed and architecture of information technology makes access possible, and labor cost effective. The structure of the technology has opened up labor markets, as well as the opportunities provided by the end of the cold war.

As Wolman and Colamosca take a deeper look at the structure and power of capital they begin to bring together a more complete analysis. As they explain: "The new information technology, coupled with the decline in the power of the state, has opened the entire world to the unprecedented reach of corporate power." (p. 124) "No economic sector has moved more swiftly to turn the potent combination of globalization and new technology into a money making machine than has the financial sector . . . which has raised a new class to power: those who trade in the global currency and bond markets." (p. 143) Thus they conclude, "The United States has been thrown into a phase of history where finance rules all . . . and has replaced the hierarchy of the military-industrial complex as the major mover and shaker in the American economy." (p. 142 & 144) These are sharp class insights coming from the ex-editor of Business Week.

In fact, Wolman and Colamosca are giving voice to the growing anger among "high road" production-oriented sectors in government, professional circles and the business community over the path of economic speculation taken by low road capitalists. The authors launch bitter attacks against "despot" bankers taking the "road to disaster" by letting "global capital run wild." (pages 141- 142) Their alternative economic plan is to revitalize Keynesian growth policies of low interest rates, capital investments, growing wages, and the control of speculation. Unfortunately their concrete proposals are timid and underdeveloped.

Wolman and Colamosca see the post WW II world and its "extraordinary accomplishments" as their model. Whether Democrats or Republicans, they note it was Nixon who said: "We are all Keynesians now." (p. 165) Furthermore they point out that U.S. Keynesian policy was "unique" because of the "technologically progressive industrial policy of the Pentagon during the cold war." (p. 220) Not exactly my type of nostalgia, and it's here where radicals need to note our differences with liberals and progressive capitalists who support the high road of economic development.

Wolman and Colamosca reduce the capitalist global crisis to a policy choice. We can choose the speculative low road, or the high road of manufacturing real value and growth. This is certainly true in terms of necessary reform. But it also ignores the deep structural limitations of capitalism that are at the root of the current crisis. We cannot simply turn back the clock to the growth conditions of the post WW II environment. The accomplishments of the U.S. were historically conditioned by a

number of important factors: 1) the lack of post war international competition; 2) pent-up demands for consumer and industrial goods built up from the depression and WW II; 3) and new industrial technologies which created more high paying jobs than they destroyed. All of this has changed. Therefore any Keynesian industrial policy needs to be significantly recast for a technologically connected world, which is not about to revert back to nationally, based markets.

The book also has undertones, which seem to harken back to a Jack Kennedy or Hubert Humphrey type of cold war warrior society. A world guarded by a benevolent military-industrial elite which produced growth which kept First World Workers on top and Third World workers at bay, and gave us the war in Vietnam. Wolman and Colamosca state they have no "desire to institute any measures designed to raise up those who earn their living from work in the industrialized world by holding down their counterparts in the developing world." (p 207) Yet they fail to develop a single idea on how new growth policies would extend equally to the Third World. They must know of the global campaigns against Nike and the textile industry's exploitation of labor, but they never bother to discuss international labor standards nor what might constitute equitable relations between nations.

This seems a major failure for *The Judas Economy*, which blames the betrayal of work on capital shipping American jobs abroad for cheap labor. One could easily construe their argument as a call to return to old fashioned imperialist growth policies and the privileges enjoyed by white workers. This would put Wolman and Colamosca in the company of Pat Buchanan. It's something I'm sure they wish to avoid, but only greater clarity will do so.

Nevertheless *The Judas Economy* is a powerful indictment of speculative global capital, and offers a no-excuse defense of the working class. The book also provides a wealth of facts and statistical data on the growing patterns of wealth and poverty which so clearly define low road capitalism. For radicals who doubt that there is some common political ground between the left and high-road liberals, this book should help convince them to rethink the narrow strategies of sectarian politics.