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News Discussion Project
Name of Article: "Maybe U.S. needs yard sale"
Eric Margolis (The Edmonton Sun)

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The *Edmonton Sun* newspaper recently carried an interesting article entitled "Maybe U.S. needs yard sale" written by Eric Margolis. In Eric Margolis's article, he talks about the recent financial crisis devastating the Unites States of America's (US) economy, along with much of the other global economies as well (Margolis, 2008). The current economic situation has been blamed on the tendency of certain banks to lend out loans (at low interest rates) to individuals and corporations who do not have the funds to payback those loans. This mistake has occurred in nation-states such as the United States, and Iceland. However, Eric Margolis article is not about the causes of the current economic crisis *per se*, but rather on the irony of the whole situation facing the United States as a consequence of their belief in neo-liberalism and their treatment of other nation-states. However, first we will look at the specific article.

Eric Margolis first describes how the last superpower, which was The United Kingdom of Great Britain and Northern Ireland (Great Britain), went bankrupt shortly after, and possibly due to World War Two, and that since then the United States has been the world's single superpower. It is worth noting that for a brief time the former Soviet Union was also a world superpower (from the end of World War Two, until 1991), but Eric Margolis fails to mention this fact in his article (Steger, 2003: 40). The article goes on to say that despite the attempted bailout of \$700 million dollars, the U.S. economy still had a \$1-trillion deficit, and the potential of inflation was always ever present. The article then shifts its focus to the world economy as a whole. First turning its attention to the war in Afghanistan, the U.S. has paid Pakistani politicians an annual rate of \$1.2 billion to

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support the occupation of Afghanistan, now the U.S. can't spare any cash to Pakistan, as a consequence of this fact, the future of the Afghanistan occupation may be in doubt (Margolis, 2008). This is an example of globalization because the U.S. used economic and political incentives to secure Pakistan cooperation and for assistance, which is a common trend in international cooperation between nation-states (especially developed states cooperating with developing states).

Eric Margolis, also briefly comments on The People's Republic of China (China). In recent times the Chinese economy has been one of the few bright spots in the global economic crisis. Evidence can be found in China's foreign exchange reserve which is \$19 billion- the world's largest (Margolis, 2008). Also "bankrupt people, companies and nations... had to sell assets to meet their debt obligations.... China and Japan alone hold over \$1.5 trillion of U.S. government securities (IOUs)" (Margolis, 2008). Now "there is talk of America's Asian creditors converting their IOUs into shares in U.S. corporations and property" (Margolis, 2008). This is ironic because former Imperial powers in the 19th century used to force loans on China and Latin America. When "the locals could not pay off their debts, parts of their territory were seized.... Russia was forced to sell Alaska to the U.S. for next to nothing when it could not repay its debts" (Margolis, 2008). Russia isn't fairing any better in the current economic environment, but as stated earlier China is. How "ironic that the Chinese Communists have ended up with a so-far sound financial system while the Wall Street bandit capitalists have gone bust" (Margolis, 2008).

Towards the end of the article, Eric Margolis suggests (as a bit of humor) that the United States should sell off some of its States (as an example, Margolis suggests that Florida should be sold to Canada due to Canadians "manifest destiny" with sunshine), to pay off some of its foreign debt (just as Russia had to do before it). Eric Margolis does not exactly expect the United States to sell any of its sovereign territory, but it does provide for a sort of humorous way to balance the U.S. budget. Eric Margolis concludes his article quite the same way as he started it, with a comparison between the United States and Great Britain. Like Britain "unless the U.S. quickly repairs its economy, its world power could slip away as post-war Britain's, leaving China, Japan, Russia, the EU and India as the world's new superpowers" (Margolis, 2008).

The context of this article not only includes the contemporary global economic crisis (maybe soon global economic recession), but a comparison of three different eras. The eras in question include the former Imperial global empire of Great Britain, the contemporary U.S. global political and economic hegemony, and the potential future emergence of new superpowers such as China and India. Ironically the potential superpowers (as stated earlier) were once looking to the US for financial assistance and economic guidance after World War Two, which bolstered the rise of the United States as a superpower. In contemporary times the US is the one in debt, and now maybe the one looking at the potential future economic superpowers for financial assistance and economic guidance. One comment from the article is that it looks at how economic globalization maybe changing. The era of global economic neo-liberalism may be coming to an end, and maybe replaced by a less liberal orientated form of economic planning.

Since “World War II, most industrial liberal democracies had used the state domestically to manage their economies in the interests of achieving full employment and had constructed more or less generous welfare states to provide for their citizens” (McBride, 2005: 8). However, the era of Keynesianism economics came to an end in the 1970s, and was replaced by neo-liberalism. And until now neo-liberalism has been the main framework for economic globalization. Neo-liberalism or “Neo-conservatism is in part an ideology that seeks to free the wealthy and powerful from having to support a public welfare system so that they can devote their efforts to protecting their own economic interests and those of their families in a period of overall economic stagnation” (Krieger, as cited in Trigger, 1998: 248-249).

Given that the wealthy and powerful have had so much influence in the U.S. economy (which is the blueprint for economic globalization and its institutions such as the World Bank, and the World Trade Organization) neo-liberalism “has gained economic hegemony over the past three decades....This ideology reflects the values and interests of the corporate world-owners, major shareholders and senior executives and managers of the big corporations, including the media corporations” (Phillips, 2003: 26-27). Neo-liberalism “calls for the privatization of government run corporations, deregulation of the market, dismantling unions and job security programs, restricting the

growth of money supply..., and reducing taxes on corporations and those with higher incomes” (Phillips, 2003: 27).

To clarify, the article is relevant to a course on introduction to the sociology of globalization because it states how one economic event can now affect the whole globe. Due to the rapid expansion of neo-liberalism, a global economic recession occurs because of the tendency to have trade agreements that allow for a situation where developed nations economic problems may extend to lesser developed nations who are politically and economically dependent on the developed nations markets and investment. International trade organizations (such as the World Trade Organization, World Bank and the International Monetary Fund) have exerted pressure on the developing world has to abide by the principles of neo-liberalism. Nation-states such as the United States have claimed that a “society cannot be regarded as democratic unless it embraces a free-enterprise economy.... Yet the overthrow of democratically elected governments and their replacement by fascist juntas in countries such as Uruguay and Chile has been justified on the grounds that such action rescued these nations from the menace of socialism” (Trigger, 1998: 253). The United States has pressured the WTO and the other international trade organizations to convince developing nations to accept neo-liberalism in their economic and political culture².

It is significant to mention the fact that countries that have yet to adapt (or fully adapt) neo-liberalism (such as China) are the ones that have been least hit by the current economic crisis (Margolis, 2008), while countries such as the United States have been hit extremely hard by the current economic crisis (Margolis, 2008). One explanation may be that if the government were more involved in the economy, than these bad loans would have not taken place. But since neo-liberalism dislikes any government intervention, the bad investments and loans were allowed to take place, which was not the case in China where government intervention is more prominent (Margolis, 2008). Even in Canada where the banking system is more regulated than the United States, the impact of the economic crisis is less severe when compared to Iceland or the United States. When nations are closely tied together (such as nations following neo-liberalism (which have

² It is worthy of mention that the U.S. is not the only nation-state that believes in the practices of neo-liberalism, but it is the main nation-state that is behind the globalization of neo-liberalism.

made trade agreements with each other) the downfall of one can cause a domino effect which causes the downfall of others, which is why the economic crisis hitting the United States is hitting other nations as well. Canada may still eventually be hit by the current economic crisis, because Canada “depends on export trade, it is advantageous to have ready access to the U.S. market.... However, to have put so many eggs in one basket means that in times of U.S. recession, demand for Canadian goods falls off and the Canadian economy takes a nosedive too; and in prosperous periods, U.S. inflation also tends to increase prices in Canada” (Dyck, 2008: .222). A periphery or semi-periphery nation with close ties to a highly developed core nation (and a neo-liberal nation), may experience the same economic consequences as Canada experiences with its economic relationship with the United States. This comment is one reason the current economic crisis can be seen as a global economic crisis.

The article itself does not provide enough information about economic globalization. It does not mention any aspect of movement of capital, or labour. The article does not talk about political globalization other than to mention the shift of global superpowers of the past century and in the 21st century. This paper tries to fill up the missing bits of information (such as descriptions of neo-liberalism, and the contemporary global aspects of the periphery and core nations) in order to better explain why this article is significant to the contemporary phenomenon of globalization. Some theoretical claims of globalization such as the dependency theory are consistent with this article. Dependency theorists “contend that this economic dependence... brought about the lesser developed countries’ political dependence on the core... Within the periphery, the argument went, Third World political, military, and economic elites, backed by the might of the United States and other core nations, maintained a political system that benefited the powerful few at the expense of the many” (Handelman, 2009: 18-19). The periphery dependent nations are now suffering along with the wealthy core nations due to the political dependence brought upon them by neo-liberal economic globalization. In conclusion, neo-liberalism causes a scenario with periphery nations becoming politically and economically dependent on the core. International organizations play a huge role in globalization, however, “one of the principal criticisms of globalization is that international organizations make decisions without any kind of democratic

accountability” (Dyck, 2008: 233). Eric Margolis’s article is not about a complete analysis of neo-liberalism, dependency theory, or political globalization. However, he does touch on the issue of globalization, and it is easy to draw on these globalization ideas and theories while reading Eric Margolis’s article. Eric Margolis talks about the recent global economic crisis and how many nations have been affected. Many of the nations that have in the past been in debt to the United States are now been able to turn the tables on the United States. Eric Margolis also hints at how the United States might share the same fate as Britain, and lose its superpower status to countries such as China (who appear to be booming thanks to its more centralized economic planning). The fact that a potential U.S. recession may affect the entire global market is evidence enough to how global and connected the world markets have become, especially due to the multilateral free trade agreements and institutions (which are heavily backed by the United States). But with the potential coming of new superpowers may also come the replacement of neo-liberalism, after all, it wasn’t that long ago that Keynesianism economics was at the forefront of the global economy (at least in the developed world or global north).

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