

[*China, Inc.: How the Rise of the Next Superpower Challenges America and the World*, Ted C. Fishman, Scribner, 342 pages]

Mr. Hamilton Goes to China

By James Gass

“WE HAVE NEVER valued ingenious articles, nor do we have the slightest need of your country’s manufactures.” So wrote Emperor Qianlong of China to King George III of Great Britain in 1793. Two years earlier, Alexander Hamilton had used his *Report on Manufactures* to lay down the foundations of American economic independence. Ted C. Fishman’s new book, *China, Inc.*, shows us that China is competing with the U.S. to be the world’s foremost empire and is doing it in ways that both Hamilton and Qianlong trusted.

China, Inc. chronicles the results of China’s 25-year-long economic boom, and its manufacturing and export-driven economy has been a spectacular success. Fishman’s volume does not so much make arguments about trade policies as rely on the sheer magnitude of the country and its competitive advantages to alarm us. China’s 1.3 billion people constitute 22 percent of the world’s population; its workforce averages 40 cents an hour; and its universities produce 325,000 engineers annually, five times as many as the United States. Further, the new “China price” sets the floor for labor costs at a level often four times lower than Mexico’s. *China, Inc.*’s mass of disquieting statistics captures a country that is striving for economic supremacy.

The author says that China’s growth has no modern equal, the size of its economy is hidden, and it is winning the contest for investment capital. To disciples of globalism, this book reveals that international free-trade policies have made the world one. For heretics, though, the utility of Fishman’s narrative is that it demonstrates clearly that

“China, Inc.” will not be deterred by regulations from the same econocrats who try to make Americans into rickshaw drivers for the WTO.

Fishman enlightens us about China’s dramatic economic upsurge and inadvertently shows us how nations become rich. To be sure, he is not the first to do so. In 1993, *The Atlantic*’s James Fallows wrote a three-part series on world economics that foretold China’s potent growth in the coming decade. While free-trade politicians and the *Wall Street Journal* kowtowed before NAFTA for *maquiladora* workers, Fallows used history to educate us about how Deng Xiaoping’s China was conducting its economic ascent. Perhaps now, after a decade of racking up record-setting foreign-trade deficits, enormous federal debts, and Congress extending Most Favored Nation status to China, we may finally be willing to listen.

Yet as Western management experts and journalists such as Fishman are gravitating to China to study its mysterious growth, they seem to miss something elemental. The real source of that country’s economic rise is not a secret—it’s just plain old American-style protectionism. China has climbed from Mao’s peasant agrarianism in precisely the same way that America flourished under

Wal-Mart were a nation,” Fishman observes, “it would rank as China’s fifth-largest export market, ahead of Germany and Great Britain.” According to the Commerce Department, in 2004 trade imbalances with China were 30 percent of the U.S. trade deficit. Concurrently, China is also the world leader in attracting foreign investment. As Fishman reveals, the “big reason China is growing is that the world keeps feeding it capital.”

Abraham Lincoln once remarked that the “abandonment of the protective policy by the American government must ... produce want and ruin among our people.” He has been proven right. Since 2000, the U.S. has lost 2.9 million manufacturing jobs, and *China, Inc.* tells us plainly what most American economists dare not say about job creation: “if you build the factories, they will come.” Instead, decades of free-trade policies have turned America’s former industrial hubs, such as Detroit, Cleveland, Allentown, Bethlehem, and Pittsburgh, into Forbidden Cities for manufacturing.

Between 1978 and 2005, the Chinese GNP has grown at an aggressive rate of 9.5 percent, while the U.S. and Europe have managed only 2 or 3 percent. As were Great Britain and America in the

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our own Hamiltonian system, that is, through manufacturing, tariffs, and foreign exports. Although unnoted in this book, 21st-century China’s average tariff rate is a Hamiltonian 11 percent compared to free-trade America’s Cordell Hullian 2 percent. China has overrun the U.S.’s domestic markets, while fiercely guarding its own turf.

In November 2004, the *China Business Weekly* reported that 70 percent of the inventory of the world’s biggest retailer, Wal-Mart, is made in China. “If

19th and 20th centuries, China—now “the world’s factory floor”—is snatching up natural resources for industrial output. “China, Inc.” consumes 25 percent of the world’s steel and is purchasing Saudi and Russian oil fields to obtain seven million barrels of oil a day. Even though China is already the world’s biggest buyer of German and Japanese high-tech factory machinery, a recent BBC series indicated that at this point the country is only one-third of its way towards full industrialization.

Fishman confirms for us with figures what we all have suspected: China has “become the world’s largest maker of consumer electronics, pumping out more TVs, DVD players, and cell phones than any other country.” And it makes more than cheap gadgets. China has used its quick winnings in the light industries to position itself to launch into heavy manufacturing and high technology, including ships, trains, planes, submarines, biotech, semiconductors, rockets, and satellites. Fishman uses anecdotes about “farmer-entrepreneurs” and Special Economic Zones to highlight how free-market reforms have allowed the country to become an industrial sensation.

The official trade records do not take into consideration that, unlike the former Soviet Union, China’s “Red Capitalists” tend to understate their nation’s economic performance. They also ignore the lawlessness of its annual \$50 billion industry in counterfeit goods. Fishman reports that according to local government figures, the Chinese economy might be as much as 15 percent larger than documented. Moreover, financial experts claim that the Chinese currency, the yuan, is undervalued by almost half and, being pegged to the American dollar by huge currency reserves, gives China even greater bene-

fits in trade deals. By 2012, China will be the leading manufacturer in the world, and by 2050 it will also have the largest economy in the world, a projected 75 percent bigger than America’s.

For centuries, Westerners have tried to penetrate Chinese markets. Today, however, China’s output, U.S. free-trade policies, and our consumption have slammed the door on us. Now it is the Chinese who are exploiting our markets.

Still, according to the dogma of free trade, our national borders are irrelevant, our job losses are meaningless, our trade deficits are immaterial, and

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our means of production must be relinquished to the revolutionary ideals of globalism. Since World War II, far too many U.S. policymakers have been perfectly content to purchase their short-term prosperity with the long-term financial stability of their nation. If octogenarian Chinese Communists can use Hamiltonian tariffs to protect their markets, perhaps the U.S. Congress could reform itself and start to do the same for us.

Despite emulating his economics, China has never shared our Hamilton’s deep commitment to constitutionalism or good character in statecraft. No discussion of modern China should exclude mention of its brutally unrepentant Communist dictatorship. Though Chairman Mao’s mass murders may have receded, the futuristic steel, glass, and orb-laden skylines of Shanghai, Beijing, Shenzhen, and Guangzhou that Fishman artfully describes cannot hide Communist China’s true nature. *China, Inc.* allocates little space to China’s slave labor, forced sterilizations for population control, or its imprisonment

of the religiously faithful. For instance, only three of 300 pages are devoted to the horrors of China’s “war on baby girls” and one-child policy, while the vast majority of the book is dedicated to coldly analyzing global trade and economic statistics. In *China, Inc.*’s pages, as with America today, commerce trumps human rights. Even at the height of the Cold War, few consumer products in the U.S. bore the label “Made in the Soviet Union.” China, however, is fueled by a dynamic economy that we finance.

The empire of China is the oldest realm on earth, and today its Communist state has been carefully grafted to the unrivaled economic principles of Alexander Hamilton. Ted Fishman’s *China, Inc.* provides more proof for us that China’s rise, like America’s and Great Britain’s before it, is driven by far-sighted economic nationalism. On the other hand, free-trade policies dismiss lawmakers from their constitutional duties while expediting national decline. True to its ancient wisdom, China has entrusted its economic future to these hard-won lessons of history. ■

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“Remember son, when life hands you lemons, try, try again because a penny saved gathers no moss. That pretty much covers everything.”

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Fourth Estate Follies



Dear, oh dear! Nicholas Kristof, a *New York Times* columnist, laments, “the climate for freedom of the press in the United States feels more ominous

than it has for decades.” He urges vociferous protest and a federal shield law for journalists—this because two journalists have been ordered to jail for refusing a judge’s order to reveal their sources. Both hacks are free pending appeals.

Although I was in Albania for a short visit 25 years ago, I was unaware that freedom of the press was about to be curtailed in the Land of the Free. Kristof admits that judges do not decide cases on public sentiment but that their decisions do reflect the values of their society. (Now you’re talking, Nicholas, old boy.) Journalists, whether they know it or not, do come under a nation’s laws, and when they place themselves above them—as the *New York Times*, *Washington Post*, and others of their ilk do—they must suffer the consequences.

Not that many of them have. In fact, only one hack from NBC got four months of house arrest for telling a judge to go and reproduce himself. They are a funny bunch these journalists. They’re arrogant, especially since Watergate, they’re untrustworthy, and they’re definitely out of touch. My favorite hysteric, Maureen Dowd, had kittens last week when the new pope was elected. She called him all sorts of names and brought up the Inquisition. Maureen baby, who was obviously traumatized when Gabby Hayes refused her advances (not to worry, sweetheart, there’s always Adolph Menjou) wants a modern and cool pope. The fact that a billion and more Catholics do not has not entered her Irish brain. Nor has it registered that busybodies who insult other peoples’ icons in order to appear sophisticated are loathed by most folks who still buy newspapers.

Mind you, I’m not saying that Ms. Dowd has no right to her opinions. She does and always will in this country. It is her outrage when others do not do it the Dowd way that bothers me. Talk about arrogance! Kristof reports that among 13 institutions the National Opinion Research Center investigated, all had retained a good measure of public respect except for the press.

Distrust is the order of the day, ergo the success of the blogs and of the Internet. As Rupert Murdoch, or the Dirty Digger as he’s known among us hacks in Blighty, said to the American Society of Newspaper Editors recently, “They don’t want to rely on a God-like figure from above to tell them what’s important.” Murdoch should know. He has done more to ruin what was once a respected estate by dumbing down to cartoon level all his newspapers, including the *London Times*, but that’s another story altogether.

The Dirty Digger is above all smart. He realizes that people like Dowd and Rather and the rest of the holier-than-thou buffoons who are taken seriously by the Beltway elite are on the way out. The *New York Times* leads the way. Trying to play God for much too long has left the paper of record believed by only 21 percent of its readers according to Pew research.

All I can say is it was about time. Just to illustrate the arrogance of the liberal mindset which the media has fawned over since Uncle Joe Stalin’s day, they are now crying foul and demanding that the Federal Election Commission restore the Fairness Doctrine because conservatism is finally getting a fair hearing by the American people.

That arch-phony Robert Kennedy Jr. is almost as hysterical as Maureen Dowd because our voices are being

heard for a change. Kennedy’s rationale reminds me of that of Karagiozis, a Greek clown who tells his business partner, “All I have is mine, and all you have is mine also ...” Kennedy claims that conservatives rule the airwaves and the media. It’s as valid a claim as when he pleaded innocent to heroin possession while smacked out on his back during a commercial flight.

And speaking of Uncle Joe, while FDR was president there was a very significant infiltration of the government by Soviet agents. A vast propaganda campaign by journalists like I.F. Stone—an idol of that other arch-phony Christopher Hitchens—managed to discredit a great American like Sen. Joe McCarthy and turn him into a figure of ridicule and hate. As the recent *Time* magazine cover girl Ann Coulter said, McCarthy was not only a patriot, he was a man of total integrity and of high intelligence. Yet his name is mud because of Soviet agents like Stone and others of his ilk that libel laws do not permit me to name. The *New York Times* and the *Washington Post* praised Stone to the skies.

When JFK betrayed the brave Cubans at the Bay of Pigs, all he had to do was call in his buddy Ben Bradlee, and the latter did the rest. Alger Hiss, traitor and Soviet agent to his fingertips, got a free ride from what Paul Johnson calls the Seven Deadly Sinners: *Time*, *Newsweek*, CBS, NBC, ABC, the *New York Times*, and the *Washington Post*. For the deadly seven, it remains psychologically impossible to accept that America is ever anything but malevolent. The greatest mass murderer (as a ratio of population) of all time, Pol Pot, was offered excuses by the leftists in the media as the American press endlessly magnified American faults while ignoring enemy atrocities.

Now the chickens are starting to come home to roost. ■