

Lynn, Barry C. (2005). *End of the line: The rise and coming fall of the global corporation*. New York: Doubleday. Condensation by James Allison, Feb. 2006.

To illustrate the perils of the global corporation, Lynn recalls the earthquake that hit Taiwan in 1999 and damaged two factories that happened to produce nearly all of the world's semiconductor chips. No other source was at hand. As a result of the one-week shutdown in Taiwan thousands of American factory workers were sent home, Wall Street traders dumped the stocks of some of our biggest electronics firms, and Christmas shoppers did without the laptops, Furby dolls and Barbie Cash Registers they had hoped to put under the tree. Nature struck again in March 2000, when a lightning bolt hit a Philips semiconductor plant in Albuquerque. The ensuing 10-minute fire disrupted the production of Ericsson's new cell phone in Sweden. Ericsson stock dropped more than 50% in six months, the company's board decided to off-load manufacturing and its arch-competitor, Nokia, gained significant market share. These and many other examples show that our corporations have built a highly efficient system of production finely tuned to a world without natural disasters, wars, terrorists or human error. Accordingly, the global adoption of this system of production means king-size trouble in the real world ahead.

It is not the system that Alexander Hamilton designed as Washington's Treasury Secretary. Fresh from the deadly privations of Valley Forge, Hamilton saw manufacturing as the key to America's independence and security. It was crucial that we be able to make what we needed when we needed it. By the start of the 20th century Americans had built the biggest, best, most productive factories on earth. Henry Ford pushed the limits of vertical integration at the River Rouge plant, where the raw materials went in through one door and cars came out the other. It was the efficiencies of vertical integration that made cars and other products so affordable and prolific as to change forever both the physical shape and the culture of the nation and the world.

American industry reached its greatest height after World War 2, with the rebuilding of Europe and Asia. In terms of security, President Truman inverted Hamilton's doctrine by seeking security not through independence, but through industrial interdependence with other nations. The bicentennial year of Hamilton's report to Washington was 1989, the year the Soviet Union collapsed from a bankruptcy that owed much to the industrial links among Western Europe, North America and Japan. Why then, some 15 years later, do we find ourselves dependent on an industrial system that seems bound to subvert both our economic and our national security?

Lynn attributes our plight to years of globalization, unchecked by government strategy, that has left us at the mercy of a global industrial commons that is both out of control and deeply flawed. Corporations, answering only to stockholders, have fashioned a most efficient international network bigger than ever, but so specialized and so fragile that a production jiggle on the other side of the world can make our economy quake. Free-market and free-trade policies that were supposed to make us carefree and prosperous now threaten our safety and our freedom. Greed, hubris, ideology and naivete have led us to place our faith in the marketplace, a benevolent robot that would enable us to abandon the arduous strategy that kept us healthy, well and independent for 200 years. *There is nothing inevitable about this new system*. There are more intelligent ways to behave, and we can and should adopt them, ever mindful of the virtues of free trade and global peace and prosperity.

In 1992 a big booster of the new system was GM executive Jose Ignacio Lopez de Arriortura, a purchasing czar who told suppliers to cut their prices if they wanted to keep

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GM's business. Within a year GM had cut \$4 billion in costs. However, Lopez' great achievement was to have shifted the company's attention away from the assembly line and onto the supply chain. He did not invent outsourcing, but he outsourced with a vengeance. He demanded that suppliers deliver more for less, and take more responsibility for engineering and manufacturing efficiency. In effect, he chopped up the GM assembly line, gave many of the pieces to suppliers, then scattered the suppliers around the world.

The historical context of Lopez' behavior was a time when many Americans thought the Japanese, their vanquished opponents in World War 2, had risen up and beaten them at their own game. Think of Benjamin Franklin, the wood stove, electricity; Thomas Jefferson and interchangeable parts; American shipyards and steel battleships; Thomas Edison, the Ford assembly line; television, IBM, the computer. Think of the strong industrial heartland turned rust belt. Think of Sony and Toyota.

In 1992 Lopez had shown the Japanese that the American auto industry was ready to fight back, and Clinton's campaign rhetoric in his victory over President Bush indicated that the new government would join the big fight. Protectionist Ross Perot had won an astounding 19% of the vote, and Clinton's talk of "fair trade" had heartened Democrats who wanted anti-Japanese tariffs. Once in office, Clinton found that things were not quite so bad as he had thought, and began to give a more sympathetic hearing to advocates of *laissez faire*, always an easier course than fair trade. In any event, the new president spent most of his first-year resources not in bashing the Japanese, but in pushing through Congress a complex George Bush initiative, the North American Free Trade Agreement. NAFTA did many things: It made it easier to invest across borders; it propped up the Mexican government; it created a protectionist trading bloc to stand against the European Union already created in Brussels, and the Asian bloc expected from Tokyo.

The most important effects of NAFTA were mostly unexpected. American capital and jobs did go off to Mexico, but the great "sucking sound" was loudest overseas: Japanese, German, British and French companies invested billions of dollars in Mexico, Canada and the U.S. to guarantee their security as nationals inside the protective walls of the NAFTA fortress. More important, NAFTA taught American business that the government would give them more help in moving abroad than in selling abroad. American business also learned that the move abroad would give it more leverage on both the worker and the lower-level supplier. Most important of all, NAFTA taught American business why and how to invest in China, the great prize that lay outside all established blocs. American business was ready to go global, and Clinton had made it clear that he would offer no opposition, no matter what the voters had demanded in the 1992 election. (Condenser's note: According to one reviewer of Lynn's book, otherwise sympathetic, Lynn gives Clinton too much credit for our unpleasant state of affairs.)

Robert Galvin, Republican CEO of Motorola, had tried for years to get his government to adopt trade or tax policy that would make it easier for stateside manufacturers to compete with the Japanese. Withheld by Reagan and Bush, the help that finally arrived was not what he expected. Through the Trade Development Program in the U.S. Embassy in Beijing, American taxpayers paid to teach Chinese officials how to lure American investors to Chinese cities and provinces. Motorola took the bait and invested \$3.4 billion, which created 12,000 jobs, 19 research and development centers and a foundry that produced integrated-circuit wafers, all in China. It was the start of the globalization boom of the 1990s that would eventually put China at the center of world industry. The year was 1993, only four years after the massacre in Tiananmen Square had seemed to end any prospects of commerce with China. What had happened?

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In 1989, four months after the massacre, the Berlin Wall fell. Its fall began the eventual collapse of the Soviet Union, and opened eastern Europe to commerce with western nations. It also suggested a re-interpretation of events in China: The Tiananmen massacre was not after all the next stage of a continuing Maoist dictatorship, but the last reflex of a doomed tyranny. Suddenly GE and Schwinn were in Hungary, Marriott was in Warsaw, Coca Cola in East Germany. The frenzy spread to Chile, Indonesia, Malaysia, Vietnam, Turkey and South Africa. But the big game was in China.

Of course there was nothing new about the American fixation on China. We fought our war against Mexico in 1846 partly to acquire the port of San Francisco for the China trade. When Admiral Perry sailed into Tokyo Bay in 1853 a major purpose was to persuade the Japanese to protect American sailors shipwrecked on their way to China. Another was to provide coaling stations for steamers on the China routes. We took the Philippines from Spain in 1899 mainly for a military base against European aggressions in China. Finally, it was an imagined proprietorship of China that right-wingers used to validate the Nixon-McCarthy charge that Truman and the Democrats had “lost” China to the Communists.

Nevertheless, many American pioneers of the 1990s foundered in China for a variety of reasons, ranging from cultural clashes to problems of supply and infrastructure. American Motors failed, and so did Nike at first. At the same time, a well kept secret was that some of Silicon Valley’s most advanced manufacturing was actually being done by Taiwanese firms. It was the Taiwan connection that taught the Americans how create a global cross-border economy and how to manufacture in China without the big, risky direct investments made by Motorola and American Motors. While Motorola was building its huge plant its competitors were getting the same benefits simply by paying a small fee to middleman companies, based in Taiwan, that had the right connections in China. This economic integration of the U.S., Taiwan and China was largely unregulated by governments, and outside the control of traditional manufacturers organized vertically. It would soon become the true center of the global economy we know today.

Until Reagan came along, American governments had thought it unwise to trade with unfriendly nations. President Reagan, noting the heavy investment of American corporations in Apartheid South Africa and Pinochet’s Chile, disagreed. American officials began to develop the notion that liberal trade could liberalize politics, and cited economist Milton Friedman as an authority. Such sophistry might have done no harm when applied to South Africa or Chile, but its application to China was another matter. To apply it to China was to reverse the strategy pursued by the West from the late 1940s to 1989 in dealing with the Soviet Union. Yet, that is what Clinton did. During his first four years as president he fought hard against those in Congress who insisted on linking the expansion of trade with China to the political liberalization of China. Trade was not to be conditional on political reform. Clinton’s whole effort was to “normalize” trade and get our government out of the business entirely.

Lynn does not know why Clinton chose to adopt this new policy, but considers three possible explanations. First, he may have seen the Japanese as a threat to American hegemony in the China trade. The new policy would have been an effort to beat the Japanese to the punch. Second, greedy American corporations, already heavily invested in China and getting more so by the day, simply presented Clinton with a *fait accompli*. Third, Clinton strayed from the pragmatic path of his predecessors and became enthralled by such ideologues as Robert Reich and Francis Fukuyama. Reich, an old

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Clinton friend and his Secretary of Labor, had argued that the way to make American industry competitive with the Japanese was not to protect it, but to remove barriers to cross-border investment. Fukuyama, a State Department planner in the Reagan administration, proposed that the fall of the Soviet Union signalled the final triumph of Western ideals. Others took his thesis to mean that there was no further need for the state to direct the actions of individual businesses or persons. All persons should be free to conduct business exactly as they pleased, whenever, wherever and with whomever they pleased. Clinton assembled such notions into a state policy: The marketplace would manage China's rise. There was no further need for the dirty work of politics, diplomacy and keeping business in line; the market, that benevolent robot, would do it all.

Lynn goes to great lengths to show that the multinational corporation is a venerable American invention. New York Life started to sell insurance policies in Canada in 1858, and soon spread to England and Europe. By 1900 at least 75 U.S. firms were producing overseas and introducing new methods in mining, oil drilling, refining, railroad building and banana agriculture. While Europeans preferred to export only the finished product, Americans were willing to export ideas, technology and capital, the means of production. He also takes pains to show that American trade policy had long been in the service of national security, until President Clinton uncoupled the two in his policy toward China.

Lynn traces another path to Clinton's fateful decision. This one begins with the nation's fear in the 1960s that in the press of the Cold War we had surrendered too much power to the industrial complex. This fear instigated both a movement for the protection of the consumer, and a countervailing movement to re-empower the corporate shareholder. The consumer revolution played out first, whereupon the shareholder revolution became predominant--first with the help of President Reagan's *laissez faire* approach to the domestic economy, and later with President Clinton's *laissez faire* approach to the international economy. As control of the corporation shifted from managers to investors, so did control of the domestic and world economies. And who came to manage our nation's security? The shareholder. That is what has brought us to what Lynn considers a gravely erroneous paradox: the econo-industrial interdependence of two great nations, the U.S. and China, otherwise deeply divided in outlook and aim.

This interdependence could not have happened without a revolution in the matter of logistics. The meteoric rise of Dell in the world of personal computers is a case in point. For Michael Dell manufacturing was not making, but buying, moving, assembling and delivering things other companies had made. Dell used management software to forge the closest possible links with his outside suppliers, especially overseas. This enabled him to cut inventory to the bone, e.g., six days' worth at Dell, in comparison with Compaq's 110. It also enabled him to reap the advantages of vertical integration with no capital investment in factories. Another formidable weapon was the marketing skill that Dell developed to sell what it happened to have on hand. Thanks to internet marketing, Dell has come closer than any other mass marketer to putting the consumer into direct contact with the manufacturer.

Dell was one of the first companies to mature under the new freedoms to do business wherever one pleased, with access to assembly lines throughout the world, and no obligation but profit--communities and individuals be damned. The whole thing was bound to weaken the producer, strengthen the retailer and accelerate globalization.

Dell's inspiration was Sam Walton, who used computers to track sales of every good in every Wal-Mart store. This sales information was valuable to both Walton and his suppliers, who used it to re-engineer everything from packaging to manufacturing. As more

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manufacturers adopted its information systems, the more power Wal-Mart gained in its relationship with its suppliers. As it learned about its suppliers, it gained more power to comparison shop, spot inefficiencies, demand fixes, and eventually dictate price and even existence. Wal-Mart had become the market.

The growing recognition of logistics as the biggest source of value to a company-- bigger than product design, quality, technology or production cost--prepared the ground for logistics specialist FedEx. With companies like FedEx in place, any company could simply hire the best logistical systems available without having to provide its own software, warehouses or trucks. This revolution in logistics gave a powerful boost to the rise of the global assembly line.

Shareholders won a great victory in 1987 and 1990 when the United Auto Workers, under intense company pressure, signed contracts that allowed auto makers to buy more parts from outside sources. When the lead firm off-loads work to other companies, it converts fixed costs into variable costs. The conversion enables the firm to slough off plants and workers in bad times, to protect its margins and secure return on investments.

Lynn thinks it no surprise that American companies were the first to embrace outsourcing with such enthusiasm. Aside from Social Security and Medicare, the U.S. has no truly national social benefit. In contrast, most European nations offer a much more generous set of social guarantees, and Japan offers a near guarantee of lifetime work. Thus, big American business has always seen its social responsibilities as a line item that sometimes hinders its ability to compete at home and abroad. Jack Welch, the CEO at GE, was one of the first to upset the social balance. Starting with a payroll of 404,000 in 1981, he cut 35,000 employees in his first year and a half, and another 37,000 the following year. Other industries, most notably the auto makers and other highly unionized industries, soon followed his lead with their own massive cuts. Middle managers also felt the ax of automation and outsourcing. The Japanese had taught the Americans how to cut the cost of inventory; the Americans had taught the world how to cut the cost of labor.

An important side effect is the rapid extinction of the vertically integrated producer, who focused on the future and the mitigation of risk. That denizen of the 20th century has been overtaken by the contract manufacturer, whose only concern is to deliver the goods as cheaply as possible at the behest of the lead corporations. The contract manufacturer has no time for the traditional role of the producer, the one who cares about the system as a whole.

Was there a regulatory response to this momentous shift toward globalization? In a word, no. But there has always been a difference between popular expectations and the government's actual use of such powers as those granted by the Sherman Antitrust Act of 1890. Americans tend to distrust any big consolidation of economic power. The distrust evoked by the British East India Company animated our Revolutionary War. Years later the same animus cropped up in Andrew Jackson's anti-monopoly fight against the Second Bank of the United States. Paradoxically, Sherman Antitrust seems to have made politicians more careful to pursue their goals without imperiling the golden geese of the economy. In the case of "natural" monopolies, such as railroads and utilities, the government typically responded with direct regulation of rates and routes through such legislation as the Interstate Commerce Act. The second approach, under Sherman Antitrust, was to avoid direct regulation by bringing marketplace forces to bear instead.

Contrary to popular mythology, Teddy Roosevelt busted few trusts, and Sherman

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Antitrust put no real brake on the growth of corporate power. TR culled a few bad apples from the big barrel of “good” corporations that delivered “fair” prices and a “fair” return to the investor. So did his successors, up to the second term of FDR. Clever investors used the vague wording of Sherman Antitrust to bust unions and replace weak cartels with big, robust, fully integrated corporations. Around WW2 monopoly, even if efficient, became bad, but three-part oligopoly was fine. Steel had Bethlehem, U.S. Steel and Republic. Chemicals had DuPont, Union Carbide and Allied. Aluminum had Alcoa, Reynolds and Kaiser. Food processing had Quaker Oats, General Foods and General Mills. Cars had GM, Ford and Chrysler.

Things started to change in the 1970s with the Chicago economists’ rising clamor that government management of the marketplace, so obviously unnecessary, could even be counterproductive. Capitalism was a vibrant market force that would itself hold monopolies in check. Freedom from regulation would unleash our competitive powers against the foreign invaders. President Reagan would resurrect TR, keeping a close watch for abuses of pricing power, but doing little else. This is the policy that President Clinton inherited. As he saw it, the growth of global oligopoly would require no change in policy. Global oligopoly would guarantee global competition, which in turn would free the government from any unpleasant duty as engineer of competition.

There are two big problems with Clinton’s policy. First, it is based on a false view of the world economy as a static system. Second, it failed to recognize a new price-fixing power, the power to dictate to suppliers and their workers. Smart corporate operatives had learned to keep hands off consumer prices, and focus on an untended part of the field. The new game was to hammer the competition with falling consumer prices.

In the 1990s several big companies, such as Cisco and Conesco, pursued the new model about as far as it could go. In the new company, assembly happened somewhere else. Middle management was gone or outsourced, and innovation was a commodity one bought on the market. GE, once a prolific innovator, saw its patent applications plummet under the leadership of Neutron Jack Welch. His successor, Jeffrey Immelt, tried to arrest the fall of the company’s research skills, but found it hard going in the culture that Jack built. “I don’t want GE managers to think we can just buy our way into every idea. It’s something I’m trying to fight against culturally.” (Lynn, 2005, p. 177.)

So we shipped our factories to their mission abroad, the liberalizing of an authoritarian regime. As they approached the China shore we at home could hear the odd murmur of anxiety about the new interconnectedness, about a gathering clash of civilizations. Not everyone was happy to join the new system, as the bottle-throwers of Seattle made clear in 1999, at the collapse of the World Trade Organization summit. There was a growing sense of unease with an India where hundreds of thousands were doing our work, writing our software, answering phones, reading MRIs, preparing our tax returns, handling mortgages, insurance claims and orders, and coloring our cartoons. And what about GE, locking up India’s technical talent to work on the next generation of appliances, jet engines and X-ray machines? Microsoft, Cisco, Ford, General Motors, Honeywell and Cummins Engines would not be far behind, with their new R&D centers in India. Yet, it does not really seem that the Indians had changed world commerce to suit India’s interests. It looks more as though GE and the rest had changed world commerce to suit their private interests.

An important parallel development concerned the 1950s question of who controlled the corporation. Some suggested that corporations needed better governance or more

regulation. Investors saw another need, to make the manager subject to them alone. Over the next 40 years they carried out a three-prong battle to make this happen.

First was a legal thrust to strengthen both the shareholder's right to direct the managers and the right to escape liability for corporate behavior. Second was a more political thrust: Fire CEOs found insufficiently aggressive in the defense of profits against the demands of other company constituencies, such as the research and development department. The threat was real: Relative to 1980, in 2004 the average CEO was three times as likely to get the boot. Third and best was the erasure of any distinction between the interests of the manager and those of the investors. Investors had no use for a manager who chose to invest in the long-term survival of the company rather than short-term gains. That was what drove the boom in managerial compensation, paid more and more in the form of company stock. The average CEO salary was 42 times that of the average employee in 1980, 531 in 2002. The new top manager was not the company man in the boardroom, but the investor's man in the company. Greed was in control, with no rational push back from inside the company, and none from the state. It was the modern corporate version of the absentee landlord.

In 2001 the attacks on the morning of September 11 revealed some flaws in the profitable new system. By noon many just-in-time supply chains were shutting down. General Motors closed assembly plants in three states, Daimler-Chrysler stopped U.S. operations, and all Ford plants closed in the U.S. and Canada. They struggled to get on line the next day, but the continued grounding of commercial aircraft impeded their recovery. The break in the flow of components from Asia disrupted Intel, Dell, Hewlett-Packard, Gateway, Cisco and IBM. The importance of small things became apparent. A lack of door hinges forced Ford to close its plant in Wixom, Michigan, on September 13. Personal computer makers were hampered by a shortage of power supply boxes. Industrial seizures would strike intermittently for weeks after the attack, and the global system suddenly looked all too global.

Terrorists had nothing on diplomatic failures. In December the nuclear flareup between India and Pakistan paralyzed both GE and many other companies with crucial operations in India. In 2002 a lockout of longshoremen closed Pacific Coast ports for 10 days. The closure cost our economy about \$2 billion/day and forced Honda, Mitsubishi, Toyota and GM to close several auto plants. Later that year a strike against Hugo Chavez blocked shipments of Venezuelan oil to the U.S. We had to fill in with refined gasoline from Brazil.

Natural disasters took their toll. In 2003 a deadly flu-like illness nicknamed SARS cropped up in Asia. Motorola had to close its Beijing headquarters, Matsushita its assembly lines. Had the SARS outbreak not ended as mysteriously as it began, the necessary quarantine would have put an indefinite freeze on the semiconductor and electronics industries. The year 2001 was not even the beginning. A Japanese plant explosion in 1993 doubled the price of memory chips and raised the price of personal computers by \$100 per machine. In 1995 the deadly quake in Kobe stranded engines destined for Chrysler and brought to a crawl the shipment of liquid crystal displays to Compaq, Apple, Boeing and others. The 1999 quake in Taiwan halted high-tech exports for a week and silenced manufacturing lines world wide. We can expect a growing number of similar collapses, such as our shortage of flu vaccine in 2004, when we received but half the supply we had ordered. This is what happens when we combine globalization and outsourcing with *laissez faire* government.

No company is more symptomatic than Wal-Mart. The biggest company in the world, it serves 140 million shoppers a week at 5,000 stores. It employs directly 1.3 million Americans and accounts for 2.3% of our gross domestic product. The problem with Wal-Mart is that it carries enormous weight in the global production system, but its megatrader status completely overshadows any need to manage or understand the processes of supply and production. It tells the supplier what it wants, and gets what it wants or else. A wide variety of firms--Levi's, Procter & Gamble, Unilever, Rubbermaid, Newell, Kelloggs, Keebler, Kraft, Nabisco and Gillette--have bent to the will of Wal-Mart, whose idea of a safe system of supply is one in which Wal-Mart dictates price. It does not grow by innovating products or making the production process more secure. It grows by using its power to keep both its suppliers and its competitors off balance. Its one driving force is growth. Its success has inspired an army of imitators--not only retailers, but firms we think of as manufacturers and producers: Dell, GE, Cisco, IBM, Cargill, Boeing, GM and Ford.

The narrow focus and the rapid spread of the Wal-Mart model has alarmed several analysts as an evident brushing aside of the need to think comprehensively, a denial of the arduous rational management that made the market serve us in the past. The complexities of modern life have led too many of us to adopt a false faith: Given free trade in a free market, the global production system, our benevolent robot, will manage itself. It is the usurpation of reason by appetite.

Also symptomatic is the commercial aircraft industry. Boeing's new airliner, the 7E7, embodies marginal improvements in size and fuel economy, but no quantum leap in performance. How then did Boeing get the 7E7 off the drawing board? It conducted an inter-state auction to determine which lucky state would get the job of final assembly. Boeing always meant to do the job at home, but used the threat of moving merely to leverage \$3.2 billion from Washington, its home state. Boeing also made it clear to suppliers around the world that if they wanted to stay in the game they would have to undertake more of the costs of development. All told, Boeing leveraged at least 45% of the development costs from offshore suppliers and foreign governments that support them, and almost as much from domestic public and private sources. It seems that in the outsourced globalized world of today, competition drives neither innovation nor process improvement. What it seems to drive is the public subsidization of shareholder profit.

In the years since the end of the Cold War our government entrusted the management of the economy to the private sector, and the private sector bungled the job. In exchange for marginal increases in global efficiency it tied us to societies we neither control nor understand. What we face now is a global industrial commons on which many politically independent nations depend, with no rational management in charge. Given a State Department in retreat, we turn to the Pentagon for a rational policy toward China, and find two opposing factions. On one side we have old guard containment strategists, who talk of displays of force and control of energy and other essential commodities. On the other side we have a new crop of idealists who talk as if integration into the global production system has neutralized China's potential for conflict. The important lesson of this debate is what it shows about the political leaders who are supposed to ensure our safety and our sovereignty: They ". . . simply handed the keys to a blind and inherently amoral mob of investors." (Lynn, 2004, p. 251.)

Yet, Lynn is optimistic for two reasons. First, our present global challenge is much like our domestic challenge of a century ago, the promotion of trade among nations. Our task now is to manage a system of world-wide oligopolies and monopolies, not in the name of shareholders, workers or some class of producers, but of all American citizens.

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Second, many of the actions we take in pursuit of the American goal will also improve the distribution of wealth and opportunity throughout the world. Fundamental to all of this is the understanding that the private sector should compete for the benefit of the citizen; it is not the job of the citizen to compete for the benefit of private capital.

America created the global economy, which will slowly fall apart if we do not step up to the task of management. If industry has become a global common property, how can we ensure its safe operation? Here are most of Lynn's suggestions.

Use antitrust power to limit control of the American market by any one global lead firm.

Limit the amount of any key input that any industry can source from any one foreign nation.

Require multi-sourcing of all components and business-process services from suppliers in two or more different nations.

Strengthen anti-monopsony laws (laws against a one-buyer economy).

Make managers publicize their sourcing and their supply chains to enable investors to avoid firms that incur unnecessary risk.

Counterbalance shareholder power by giving U.S. workers the absolute right to take collective action.

Professionalize management by limiting compensation to salary--no stock, and no stock options.

Any of these measures would meet with stiff opposition at home and abroad. However, Lynn thinks the domestic opposition would be no match for a state with a coordinated program and the will to put it in place. Which foreign states might stand to lose the most from a wider distribution of industrial capacity and ownership? The most likely ones are Japan and China. However, Japan might willingly trade its interdependence with China for a more global role. China too might welcome a more secure global production network, less vulnerability to internal disruptions and the chance to improve managerial powers now subject to state, military and corporate control.

At the same time, we should leave plenty of room for experimentation. If the French want to spend a lot to protect their farming heritage, or the Brazilians want to coddle a few infant industries, let us not stand in their way. In the words of F. A. Hayek, is it not our right “. . . to be rational and efficient only when and where we think it worth while?” (Lynn, 2004, p. 260.)