



Corporate guru sees trouble in globalization

By David J. Lynch, USA TODAY

WASHINGTON — Whenever U.S. corporations establish factories overseas, they can count on taking flak from labor unions, lawmakers and left-of-center economists.

Now the practice of borderless commerce is drawing fire from within Corporate America's own ranks. Ralph Gomory, president of the Alfred P. Sloan Foundation and a former top executive at IBM, is attacking what he calls a growing divergence between the interests of footloose U.S. corporations and the interests of the United States.

"Companies are very focused on profitability. There used to be a pretty good tie between that and doing something for the country. ... (Now) the things they're trying to do are not good for the country," he said in a recent interview.

Instead of benefiting both of the countries involved — as mainstream trade theory argues — locating new factories on foreign shores adds to the economy of the other country at the expense of the United States, Gomory says.

The current situation, he adds, is a far cry from the 1950s, when General Motors President Charlie Wilson maintained: "What was good for our country (is) good for General Motors, and vice versa."

"Globalization has really changed that," Gomory says.

Indeed, the trade liberalization policies that the U.S. has pursued for a generation encouraged corporations to seek the lowest-cost locations for their operations. As labor-intensive textile mills departed, trade fans argued that the U.S. would thrive with more advanced industries. Now, even more sophisticated operations often end up in other lands. Case in point: the 1,200-worker semiconductor plant Intel is erecting in Vietnam.

Living standards here will inevitably decline unless something is done to encourage U.S. corporations to invest at home instead of abroad, he says. Gomory wants to use the corporate income tax to reward companies that invest in "high-value-added" jobs here and penalize those that move such facilities overseas. "Where companies go is affected by self-interest. We need to make it in the self-interest of companies to invest in America," he said.

Other countries explicitly seek to attract good-paying jobs in advanced industries. The

U.S. should do so, too, he says, while also eliminating its enormous trade deficit.

Gomory, 77, brings blue-chip corporate credentials to the trade debate. He spent 30 years at IBM, retiring in 1989 as senior vice president for technology. A past board member of companies including The Washington Post Co. and Bank of New York, he is currently a director of printer maker Lexmark International.

In Lexmark board deliberations, he's voted reluctantly to move plants to countries such as the Philippines. Gomory says it's his legal obligation as a director to maximize the interests of shareholders — not the country as a whole. "It's a system problem — not a people problem. That's why we have to change the system," he says.

In a 2001 book he co-wrote with economist William Baumol, a former president of the American Economic Association, Gomory challenged the conventional view that when each country specializes in what it does best, trade is a win-win affair for all. Outside the ranks of specialists, *Global Trade and Conflicting National Interests* drew little attention; in 2004, Alan Greenspan, then Federal Reserve chairman, publicly rejected Gomory's central argument.


But with trade skeptics more numerous in the Democratic Congress, Gomory's views are more popular today. He met recently with a group of 30 U.S. senators to discuss his proposal to overhaul the corporate income tax.

Still, much of the Democrats' energy so far has been spent trying to write tougher labor and environmental standards into new trade agreements, pacts that Gomory says are "largely irrelevant" to the broader economic erosion he seeks to arrest. And even some who share his fears about globalization's impact on the U.S. economy aren't convinced that Gomory's remedy will work.

Princeton University economist Alan Blinder, a former Federal Reserve Board member, says he has discussed Gomory's idea with him. But Blinder says Gomory's proposal would open the door to all sorts of politically inspired employment subsidies as it moved through Congress. "I'm not convinced that particular proposal or any similar proposal would be a net benefit," Blinder says.

The status quo on trade also has Wall Street, major corporations and much of the political establishment behind it. So Gomory is realistic about his chances of realigning corporate interests with that of the country.

"I'm not that optimistic," he says. "There are major interests at stake. Reasonable argument is only one element and not always the most important."



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