

# IRC 2019-2020

English language and the modern economy



•Lesson 4



**Activity: Video (Sir James Goldsmith)**

**Activity: reading text (Goldsmith interview)**

**Discussion**

**•Lesson 3**



**Sir James Michael Goldsmith** (26 February 1933 – 18 July 1997)

- French-British financier, tycoon and politician.
- In 1994: elected to represent a French constituency as a Member of the European Parliament.
- Founded the Referendum Party in the UK

One of the key power-brokers in British political circles that initiated party political opposition to the country's membership of the European Union.

# Sir James Goldsmith

Sir JG was an extremely successful capitalist+businessman in the late 20<sup>o</sup> century. He has been called an 'asset-stripper', a derogatory term meaning someone who takes over a failing company when share prices are low, strips it of its weak, uneconomic aspects (which may include sacking staff, selling off buildings or other assets) and making it more successful, selling out when share prices rise again. He was a Eurosceptic who founded the Referendum Party to campaign for a referendum on the UK's membership of the EU.



In November 1977, there were two editions of The Money Programme on BBC, the first gave a critical account of Goldsmith's business history and methods. In the second programme a combative Goldsmith appeared in person and countered the implication of asset stripping by pointing to over a hundred million pound investment his company was making to upgrade their going concerns

Goldsmith retired to Mexico in 1987, having anticipated the market crash that year and liquidated his assets. However, he continued corporate raiding, including an attempt on British-American Tobacco in 1989 (for which he joined Kerry Packer and Jacob Rothschild).

Goldsmith became an active campaigner on environmental issues during his later years. He published a book entitled *The Trap* in 1994 outlining what he believed were some key challenges facing humanity, with a focus particularly on the fields of modern intensive farming and the use of nuclear power.



1. A prophetic interview with Sir James Goldsmith in 1994

<https://www.youtube.com/watch?v=4PQrz8F0dBI>

Watch the video and answer the

Questions

- What is the main reason why companies move?
- Why does JG talk about unemployment rises in France?
- How many Eastern workers are equivalent, in cost, to 1 American?
- In economic processes, what 2 factors share 'Value Added' according to JG?
  - What is the purpose of the economy (for JG!?)





1. A prophetic interview with Sir James Goldsmith in 1994



Watch the 2° video and answer the

Questions

- What indicators of social/economic troubles does JG mention?
- According to JG, who benefits from GATT?
  - How do multinational companies operate, according to JG?
    - What are some of the companies moving their operations offshore?
  - How does Tyson's account of US companies' behaviour differ from that of Goldsmith?
    - What benefits to US consumers does she mention?
  - Why do US firms mainly locate to foreign countries, according to Tyson?

<https://www.youtube.com/watch?v=SZTzPmn-87w>



vantagepointmoon 10 anni fa

There are many people who achieved more than I will in my whole lifetime, but yes she is either clueless or outright lying. Which one do you prefer?

👍 🗨️ RISPONDI



Kyn Chan 2 anni fa

Goldsmith was right but the US took Tyson's advice and continued to do that.

👍 1 🗨️ RISPONDI

# Some comments...

...which do you agree with?



Sam Black 6 anni fa

That woman lives in a world of magical thinking and she keeps contradicting herself. Goldsmith totally owned her!

👍 29 🗨️ RISPONDI

▼ Visualizza 2 risposte



george ash 2 anni fa

One of the two people debating was a self made billionaire and the other was Laura Tyson. Guess who turned about to be right 20 years later? Here is a clue, it is not Laura Tyson.

👍 10 🗨️ RISPONDI



Marcos Perez 6 anni fa

Tyson is a bare-faced liar. Companies don't move production to countries with cheaper labour in order to reduce costs?





## Reading: an extract from ‘Interview with Sir James Goldsmith’

### Questions:

Are there any words or expressions in the text that you do not recognise or know the meaning of?

Make a list:

- 1) What are the disadvantages of GATT, according to Sir James?
- 2) What predictions did he make? Was he right about all of them, in your view?
- 3) What is Goldsmith’s argument in the section beginning: “Take two enterprises, one in France and one in Vietnam...”?
- 4) Why does he talk about IBM, Hewlett Packard and Boeing?
- 5) In which part of the world will the negative effects of GATT be felt most?
- 6) What will the results be?

## From 'An interview with Sir James Goldsmith'

Global free trade has become a sacred principle of modern economic theory, a sort of generally accepted moral dogma. The ultimate objective of global free trade - to create a worldwide market in products, services, capital and labor has an instrument to achieve this in GATT, the General Agreement on Tariffs and Trade. GATT however, is flawed, as are the theories on which it is based. If it is implemented, it will impoverish and destabilize the industrialized world while at the same time cruelly ravaging the Third World. During the past few years, 4 billion people have suddenly entered the world economy. They include the populations of China, India, Vietnam, Bangladesh and the countries that were part of the Soviet empire. The populations of these countries are growing fast; they are predicted to pass 6.5 billion within 35 years. The nations where those 4 billion people live have very high levels of unemployment. And pay for those who have jobs is a tiny fraction of pay levels in the developed world. So new entrants into the world economy are in direct competition with the work forces of developed countries. They have become part of the same global labor market. This will lead to a new type of competition.

Take two enterprises, one in France and one in Vietnam, making an identical product for export to the same First World market. Both use the same technology and have access to the same pool of international capital. The difference is that the Vietnamese enterprise can employ 47 people for what it costs the French enterprise to employ one. It is not difficult to understand who the winner will be. In most developed nations, an average manufacturing company pays its work force an amount equal to 25 to 30 per cent of sales. If such a company decides to maintain only its head office and sales force in its home country while transferring production to a low-cost area, it can save about 20 per cent of sales volume. Thus, a company with sales of \$500 million will increase its pretax profits by up to \$100 million a year. If, on the other hand, it decides to maintain production at home, the enterprise will be unable to compete with low-cost imports, and will perish. When an economic policy makes you rich if you eliminate your national work force and transfer production abroad, and bankrupts you when you employ your own people, then something is wrong.

High-tech industries can survive and prosper in these circumstances, of course, for they are highly automated and employ few people; labor is a minor item in the overall cost of the products they make. They obviously cannot compensate for the lost manufacturing jobs; the fact that they employ few people means that they are incapable of employing very many. As soon as they need a reasonable number, they will be forced to move offshore. IBM, for example, is moving its disk-drive business from the United States and Western Europe to low labor-cost countries. It plans to operate as a joint venture with an undetermined Asian partner and use non-IBM employees so that it will be easier to move to an even lower-cost region when warranted. IBM estimates that moving from higher-cost regions to Asia halves the cost of assembling a disk drive. Boeing has announced plans to transfer some production to China. Companies like Hewlett-Packard and Advanced Micro Devices, the sort that created Silicon Valley, are also shifting employment to low-wage countries. Proponents of global free trade insist that exporting such high-tech products as airplanes, satellites and high-speed trains will create jobs on a large scale. Alas, this is not true. A recent \$2.1 billion contract selling high-speed French trains to South Korea has resulted in the maintenance, for four years, of only 800 jobs in France. Much of the work is carried out in Korea by Asian companies using Asian labor. After the transfer of technology to South Korea, in a few years Asians will be able to buy high-speed trains directly from South Korea and bypass France. A big mistake in thinking about balanced trade is to consider it exclusively in monetary terms. If we export \$1 billion worth of goods and import products of the same value, we conclude that our overseas trade is in balance. But the number of people employed annually to produce \$1 billion worth of high-tech products in the developed nations could easily be fewer than 1,000, while the number employed in low-cost areas to manufacture the goods that we in the developed world import would be in the tens of thousands, because these goods are produced with traditional levels of employment. Balancing trade in this way can end up exporting jobs and importing unemployment.

The application of the GATT accord will have tragic results in the Third World. Modern economists believe that an efficient agricultural system is one that produces the maximum amount of food for the minimum cost, using the least number of people. That is bad economics. When you intensify agricultural methods and substantially reduce the number of people employed on the land, those who are idled are forced into the cities, where they often end up in slums. Families are broken, the countryside is deserted, and social stability is destroyed. This is how the favelas came into existence in Brazil. An estimated 3.1 billion people live from the land. If GATT manages to impose the sort of productivity achieved by the intensive agriculture of nations like Australia, some 2 billion of these people will lose their livelihood. Some of these GATT refugees will move to urban slums, while many others will be forced into mass migration. As a result of Chinese market-oriented economic reforms, an estimated 100 million peasants are drifting around China seeking work. Is it not possible to repeat the successes of countries like Taiwan, Hong Kong, South Korea? Well, the United States might be able to achieve a similar success with Mexico, and Western Europe could progressively accommodate Eastern Europe. But attempting to integrate 4 billion people at once into global markets is blind utopianism. To avoid disaster, we must first reject the concept of global free trade and replace it with regional free trade. That does not mean closing off any region from trading with the rest of the world. It means that each region is free to decide whether or not to enter into bilateral agreements with other regions. We must not simply open our markets to any and every product, regardless of whether it benefits our economy, destroys our jobs or destabilizes our society. Those who wish to industrialize should form free trade areas, such as the trading regions currently being created in Latin America and Southeast Asia. These areas should consist of nations with economies that are reasonably similar in terms of development and wage structures. Trading regions would enter into mutually beneficial bilateral agreements with other regions in the world. Freedom to transfer technology and capital would be maintained. Commercial organizations wishing to sell their products in any particular region would have to produce locally, importing capital and technology and creating local employment and development. That is the way to create prosperity and stability in the developing world without harming developed nations. GATT must be rejected. It is too profoundly flawed to be a stepping stone to a better system. The damage it will inflict on the communities of both the developed world and the Third World will be intolerable.



**For discussion:**

Goldsmith foresaw the negative effects of globalisation on western economies. Why was he not listened to?

Who has benefited from the processes described in this material?

What do you think are the positive / negative (economic/social) effects of globalisation?

