

Transcript of recording of Noam Chomsky's address on systemic collapse at OECD-NAEC conference on Averting Systemic Collapse (17 September 2019)

Thank you very much thank you very much.

I'm very pleased to have the opportunity to discuss these critical issues with you.

Looking back over recent history it's all too easy to recognize that something quite astonishing has happened since World War II. Humans have conjured up something like a perfect storm while creating serious threats to survival since World War II. In the past generation human intelligence has gone on to construct socio-economic policies that undermine the best hope that we have to avert the crisis. The threats to survival are familiar and I won't spend any time on them.

World War II ended with the dawn of the nuclear age in 1947. The bulletin of Atomic Scientists established its famous Doomsday Clock. Regularly adjusted, its most dire estimate at two minutes to midnight was in 1953 when the United States and USSR exploded hydrogen bombs. The minute hand has oscillated since. In 2015 and 2016 it was advanced to 3 minutes to midnight, the closest we had come to terminal disaster since 1984 when there was a major war scare.

By 2015 the bulletins analysts were also taking into account another existential threat. It was by then understood that the dawn of the nuclear age coincided with a new geological epoch called the Anthropocene, an epoch in which human activities are having an ominous impact on the environment. Geologists now date the Anthropocene from the end of World War II, a moment of onset of sharp escalation and destructive human activities.

Many factors contribute to this. One central factor is a familiar deficiency of markets, namely externalizing costs, which becomes increasingly significant as state regulatory power is reduced by policy decisions, as is happening dramatically today in the most powerful country in the world. That's a market flaw which is by now becoming a truly lethal threat. Late last January at the beginning of the Trump term the bulletins analysts reset the Doomsday Clock once again, moving the hand still closer to midnight and in their words the reason is that the danger is even greater, the need for action more urgent. It's two and a half minutes to midnight, the clock is ticking, global danger looms. That's the closest to terminal disaster since 1953.

So the two sledgehammers that human intelligence has designed date to the end of World War II and a generation later the political and economic elites turn to the test of dismantling the most effective barrier to the threats, functioning democracy in which informed and engaged citizens joined together to address the severe dangers, acting collectively through effective institutions that are under their control.

The systemic attack on this barrier to destruction began as the regulated capitalism, as it's called, of the 1950s and 60s, was reshaped to the new neoliberal era which is dedicated in principle to reducing the capacities of collective action through democratic institutions, not just the state but other forms of association unions for example. In short, it's dedicated to making sure that society no longer exists. Margaret Thatcher's famous description of the world she perceived or perhaps desired in her paraphrase of Karl Marx's bitter condemnation of repression in France which left society, as he put it, as a sack of potatoes, an amorphous mass that cannot function. In the contemporary case the tyrant is not an autocratic ruler in the West at least but concentrations of private power and bureaucracies that are free from public control.

The era of regulated capitalism was the greatest growth period in American history, also egalitarian growth, and with notable expansion of civil liberties and social justice. Now that era is often called the Golden Age of modern capitalism although the phrase state capitalism would be more appropriate in the light of the major state initiatives at the time that largely created today's high-tech economy – computers, internet, satellites, electronics - in general the basic elements of the IT revolution, and much later, decades later, handed over to private enterprise for marketing and profit.

The neoliberal period that followed has had sharply different outcomes and a very different guiding principle. The guiding principle is to shift decision-making from governments and hence the public, insofar as authentic democracy falls from those hands, to private concentrations of power that are immune to public control and the result is a growing democratic deficit. The very predictable outcome is revealed in many ways very visibly right now in the so-called populist uprisings in the West. These are sometimes described as a backlash against globalization but I think that's somewhat misleading, mistaking a symptom for a cause. It is I think a backlash against the harmful societal, social and economic effects of neoliberal programs and also the loss of control that is inherent in them. Hence the backlash is in opposition to neoliberal globalization, which is not globalization itself. That's one component of the current period which is marked by bitter discontent over a broad range with widespread anger, contempt for dominant institutions and collapse of the centrist political structures.

We saw this played out two weeks ago in the French election in which two outsiders displaced the traditional parties. And we saw it a few months earlier in the American elections of November 2016. An outsider, despised by the Republican establishment, rode a wave of popular anger to gain the nomination, while on the Democratic side manipulation by party managers barred the candidate who had mobilized the party base and is now the most popular political figure in the country by quite a large margin, Bernie Sanders. The Sanders campaign was the most remarkable feature of this highly unusual election. The rise of a billionaire to political powers is not all that startling but Sanders broke sharply with over a century of US political history by achieving success without the support of private wealth, of corporate power, or any media support. And in both cases the results reflect contempt for dominant political institutions and the collapse of the ruling centrist parties at least in the public's eyes if not in how affairs of state continue to be conducted.

The undermining of the function of democracy is revealed in many other ways as well in the United States. Research and academic political science has shown quite persuasively that the majority of the population at the lower end of the wealth scale, about 70% of voters, are literally disenfranchised and that their own representatives ignore their attitudes and preferences. They're listening to other voices like campaign funders drawn overwhelmingly from private wealth and corporate power. In fact campaign funding alone is a remarkably good predictor of electability and policy choices. That's the pattern that was broken so dramatically by the Sanders campaign.

This so-called populist reaction, not a very good word, should hardly be unexpected. In Europe discontent and often rage is elicited by the fact that major decisions are taken by the troika on whatever the population might want and even without resort to this device the high concentration of wealth that's a dramatic feature of the neoliberal programs automatically translates into levers of political power in ways too familiar to discuss, leading to legislation that carries the vicious cycle forward. Just keeping to the West, while causes vary, there are commonalities and central among them are the socio-economic policies that have concentrated wealth in the end in a tiny fraction of the population while the majority has stagnated or declined. So take the United States which has not suffered as severely from these policies as others. In the year 2007, right before the crash, that was the peak of euphoria about the grand triumphs of neoliberalism classical economic wisdom said central bankers of the Great Moderation. At that moment real wages of American workers were actually lower than they had been in 1979 when the neoliberal experiment was just taking off. That's a phenomenon without historical precedent in a period with no great traumas and steady if unspectacular growth. A primary factor contributing to the Great Moderation was identified by Fed Chair Alan Greenspan in his testimony to Congress on the successful economy that he was managing. He reported that what he called greater worker insecurity was keeping wages down and he went on to say that even when unemployment is low workers are too intimidated to ask for decent wages, benefits and working conditions, which is a sign of the health of the economy, by some standards, that not all was gloomy, profits were booming particularly in the financial sector which exploded in scale and

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dramatically changed its character during the neoliberal period, accounting for 40% of corporate profit in 2007, right before the crash for which it was once again largely responsible.

After the Great Recession that followed the Great Moderation a few economists began to look carefully at the role in the economy of the bloated financial sector that had risen during the period, of its vast expansion and change of character from service to the real economy, as in the deep regulated golden age capitalism period, to massive speculation and financial manipulation. One of these was Nobel laureate Robert Solow who noted that there had been very little study of the topic, which was rather surprising given the enormous power and decisive role of these newly developing financial institutions. Solow undertook preliminary analysis and he concluded that the general impact of these new institutions was probably harmful overall. Others have reached similar conclusions but they continued to flourish and became richer than ever after the crash.

What has taken place in the United States is largely duplicated in Europe under the lash of the neoliberal austerity programs which by now even economists recognize have always lacked a sound economic basis. Economist Mark Weisbrot has carried out a careful and rather revealing investigation of the political agenda guiding these destructive economic policies. He studied the reports of the regular IMF consultations with member governments of the EU and he discovered what he calls a remarkably consistent and disturbing pattern. The financial crisis offered an opportunity to lock in the neoliberal reforms: spending cuts in the public sector rather than tax increases, reduced benefits, and public services cuts in health care, undermining of collective bargaining, and in general moving to create a society with less empowerment, lower wages, more inequality and poverty, a smaller government and social safety nets, and measures that reduce growth and employment. In quoting him the IMF papers detailed the agenda of Europe's decision-makers, and they have accomplished quite a bit of it over the past five years. It's an agenda which is quite familiar in the United States and in fact wherever the neoliberal project has proceeded.

The overall record was reviewed recently by economists of the Center for Economic and Policy Research in Washington as they compare the Washington Consensus years up to the Great Recession with the prior two decades, 1960 to 1980, and they found, quoting them, that contrary to popular belief, the past 25 years, 1980 to 2005, have seen a sharply slower rate of economic growth, reduced production and progress on social indicators for the vast majority of low and middle income countries. The latter consequences are the anticipated effect of the programs of privatizing state functions along with the undermining of democratic control as choices moved into the hands of unaccountable power.

There are of course exceptions to this tendency notably where the rules have been ignored as in China. People would not knowingly vote for such policies so democracy must be sacrificed in order to lock in the neoliberal reforms and in fact the very idea that people should have a role in determining their social fate. That very idea is another victim of neoliberal doctrine that's been revealed with unusual clarity when the Greek government dared to ask the population whether Greece should continue to be destroyed by the so-called bailouts, which in fact mostly passed through Greece to pay off Northern banks for their reckless and risky loans, while Greece's debt burden has increased relative to GDP and the country is ruined. The reaction among European elites to the call for a referendum was outrage which became even more intense when the population voted the wrong way and the Greeks were sternly punished for their illusion that democracy might have a place in neoliberal Europe even in the country of its birth. The troika conditions were made even harsher as you know in reaction to this deviation from good order last week in another desperate effort in Greece (quoting the business press Bloomberg). Greek lawmakers approved economic measures in the hopes of mollifying creditors including pension cuts, tax hikes, and other structural economic reforms but, according to this morning's press, it was not enough. There is in fact good reason to believe that the flow of blood could easily have been staunched at the outset and the more the torture is drawn out the worse it gets.

The impact of the neoliberal domestic policies is magnified by accompanying features of the general program, in particular that of the form of globalization that has been constructed setting working people in competition with one another worldwide, protecting the professionals, allowing free movement of capital unconstrained by popular will and choice. One effect of this was revealed in an interesting study undertaken under NAFTA rules by labor historian Kate Bronfenbrenner. The study found a sharp rise in strike breaking after NAFTA threats to transfer operations to Mexico, which happens to be illegal but that doesn't matter when state authorities have other priorities. These have been among the measures to maintain the greater worker insecurity that contributed to the Great Moderation, as Alan Greenspan correctly observed. The impassioned and free-market rhetoric of the neoliberal era coexists easily with substantial state support for private power. Among the methods are the highly protectionist features of the mislabeled free trade agreements another is straight taxpayer subsidies. It's a recent IMF study of the profits of the major US banks that attributed them almost entirely to the implicit government insurance policy which affords cheap credit and many other advantages, quite apart from the more publicized bailouts after the crashes that become a regular occurrence with the dismantling of the New Deal regulations of the Golden Age. Relying on the IMF study the business press Bloomberg estimated the subsidy of the big banks at over eighty billion dollars a year, which is trivial to be sure in comparison with the enormous public subsidies to energy corporations and others. And all of this has obvious effects on the welfare of the general public while also contributing to the contempt for central and major institutions which is a sign of eroding democracy.

It's important to recognize that a key concern over the dangers of democratic participation were quite explicit during the transition from the regimented capitalism of the fifties and sixties to the neoliberal era that followed during this transition period. Concerns about too much democracy were expressed across the mainstream spectrum. At the left, liberal end of the spectrum the concerns were articulated forcefully by the liberal internationalists of the trilateral commission and drawn from the three major centers of capitalist democracy, Europe and the United States. Their political complexion is illustrated by the fact that in the United States they pretty much staffed the Carter Administration in 1975, right during the transition period. The Commission published an important volume called the crisis of democracy. The crisis that the trilateral scholars perceived was that there was too much democracy in the West. In earlier years, they explained, when most of the population was silent, passive, apathetic and the system had been working well, the American reporter Professor Sam Huntington of Harvard University looked back with nostalgia to the days when, in his words, Truman had been able to govern the country with the cooperation of a relatively small number of Wall Street lawyers and bankers when democracy functioned with prices. But during the Golden Age something dangerous happened: special interest groups began to try to enter the political arena to press their demands. The special interests were minorities: young people, old people, farmers, workers, and women. In other words, the general population who are supposed to observe passively while policies are set by, to quote again, a relatively small number of Wall Street bankers and lawyers aided by intellectuals who qualify as experts because they articulate the consensus of the powerful. One of Henry Kissinger's insights quoted by the trilateral scholars traced much of the crisis to what they called, in their words, the institutions responsible for the indoctrination of the young; that's the schools and the universities and the churches. They were not indoctrinating the young properly, that's why we have protests about policy, uprisings in the streets, efforts of the special interests to press their demands on the political arena, imposing too heavy a burden on the state. The trilateral scholars then drew the natural conclusion we must have more moderation in democracy or passivity, more effective indoctrination of the young if good order is to be maintained.

Well that's the view from the left liberal end of mainstream opinion during this crucial transition period. On the right at the same time similar conclusions were drawn but on a different basis and with different rhetoric. The most revealing example and the most influential was the so-called Powell memorandum written by corporate lawyer Lewis Powell who was later appointed to the Supreme Court by Richard Nixon. The memorandum was addressed to the US Chamber of Commerce. The confidential leaked memorandum has been described whether plausibly as (quoting) the blueprint of the rise of the American conservative movement and the formation of a network of influential right-wing think tanks and lobbying organizations such as the Heritage Foundation, the American Legislative Exchange Council, as well as inspiring the US Chamber of Commerce to become far more politically active. Quoting Wikipedia for the accurate description, Powell's message to the building business world was that the left, which was running wild in the 1960s, was destroying the American free enterprise system and he identified the leading figures who were leading this revolutionary assault. One was Ralph Nader with his consumer safety campaigns imposing a burden on the business world. The other

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sinister figure was Herbert Markuse who was preaching Marxism to the young leftists who were on the rampage while their naive victims, as Powell put it, dominated the universities and schools, controlled TV and other media of the educated community and work and the entire government. A takeover of the country by these Marxist words Powell said is a dire threat to freedom. Actually this is no exaggeration as you can see by reading the document which was a useful exercise. Powell thought the obvious conclusion, I'll quote him; he began by pointing out that the campuses from which much of this criticism emanates are supported by tax funds generated largely from American business contributions from capital funds controlled or generated by American business. The boards of trustees at universities are overwhelmingly composed of men and women who are leaders in the business system and most of the media, including the national TV systems, are owned and theoretically controlled by corporations which depend on profits and the enterprise system on which they survive. That's his observation and the natural conclusion which follows at once is that the business world should organize to defend themselves instead of idly sitting by while the free enterprise system is destroyed by the Marxist onslaught from the media, universities and government. That the business world has the resources and should act. Democracy is a threat, indeed it is if policies are designed or to be designed in the interests of concentrated wealth and private power. Wealthy population languages and the socio-economic and political policies that came to dominate in the subsequent years reflected this array of concerns across the spectrum and they have indeed mitigated the threat of democracy with consequences that we see all around us. The centrist political institutions are discredited, public disillusion, fear and anger running high, sometimes taking quite ominous forms particularly in Europe. Bitter memories are not easy to suppress when viewing some of the electoral outcomes and passions, or when the majority of Europeans call for banning all Muslims from Europe and many want to reverse the real achievements of the European Union, such as free movement of populations within Europe and erosion of national boundaries which would be quite consistent with strengthening of cultural diversity in liberal and humane societies.

Now we cannot attribute all of these developments to the neoliberal assault of the best generation but it is a common and significant factor and the mechanisms are not obscure: one is simply to transfer decision-making to an unelected bureaucracy whose constituency is not the general public. It's been the European method and even without resort to this device the high concentration of wealth that's a dramatic feature of the neoliberal programs automatically yields leaders of political power in ways that are too familiar to discuss, that lead to legislation that carries the vicious cycle forward as I've mentioned. Well one consequence is severe erosion of functioning democracy and reduction of opportunities for collective action through effective functioning public institutions, and a further consequence of that, as remarked at the outset, is to undermine the primary barrier to the existential threats that humans have constructed in the post-war period, hence contributing to the perfect storm that may turn out to be the epitaph of modern civilization.