

## Globalization and inequality in the context of their New Approaches to Economic Challenges (NAEC) program<sup>1</sup>,

Looking back over recent history, it is all too easy to recognize that something quite astonishing has happened. Since WWII, humans have conjured up something like a perfect storm. For the first time in their short history on earth, about 200k years, human intelligence has created a serious threat to survival while also adopting socioeconomic policies that systematically and in a principled way undermine the best hope to avert the threat. The term “astonishing” is an understatement.

The threats to survival are familiar. WWII ended with the dawn of the nuclear age. It has been clear since August 6 1945 – I can remember the moment well -- that technology would soon advance to a point where human agents could bring about terminal disaster – and if we inspect the record of the past 70 years, it has come all too close, much too frequently. Scientists reacted at once. In 1947, the Bulletin of Atomic Sciences established its famous Doomsday Clock, set every year by a group of highly respected scientists and political analysts after evaluating the state of global security. The most dire estimate, two minutes to midnight – termination -- was in 1953, when the US and USSR exploded Hydrogen bombs.

The minute hand has oscillated since. In 2015 and 2016 it was advanced to 3 minutes before midnight, the closest it had come since 1984, when there was a major war scare -- much more serious than was then recognized, so we have learned since the release of US and Russian archival materials. By 2015, the analysts were also taking into account another existential threat. It was by then clearly understood that the dawn of the nuclear age was accompanied by a new geological epoch, the Anthropocene, an epoch in which human activities were having a dangerous impact on the environment. Geologists have now agreed to set the onset of the Anthropocene in 1950, the beginning of a sharp escalation in destructive human activities. So the timing of the two sledgehammers we have constructed to destroy us coincides.

Recognizing the dual threat to survival in 2015, again in 2016, the doomsday clock was advanced to three minutes to midnight. At the outset of the Trump term, the analysts reset the clock again, moving the hand still closer to midnight. The reason, in their words, is that they found “the danger to be even greater, the need for action more urgent. It is two

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<sup>1</sup> *This text reflects the views of Noam Chomsky. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.*

and a half minutes to midnight, the Clock is ticking, global danger looms”  
– the closest to terminal disaster since 1953.

While devising means to bring organized human life to an end, humans have also been designing social and economic policies to undermine the primary barrier to self-destruction: functioning democracy in which informed and engaged citizens join together to develop means to overcome the severe dangers. That has been particularly true in the past generation, which has been marked by sharp decline in functioning democracy. The decline is revealed in many ways, very visibly right now in the so-called “populist uprisings” in the West, marked by bitter discontent, widespread anger, contempt for dominant institutions, and collapse of the centrist political structures.

We saw this played out 2 weeks ago in the French election, in which two outsiders displaced the traditional parties. 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, only 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 a large margin, Bernie Sanders – who, incidentally, broke with over a century of US political history by achieving remarkable success without the support of private wealth and corporate power, or any media support, hardly even recognition – the most remarkable feature of the November elections.

The undermining of functioning democracy is revealed in many other ways as well. In the US, substantial research in academic political science has shown persuasively that a majority of the population, at the lower end of the income/wealth scale, are literally disenfranchised, in that their own representatives ignore their attitudes and preferences, listening to other voices, like campaign funders. In fact, campaign funding alone is a remarkably good predictor of electability and policy choices – the pattern broken so dramatically by the Sanders campaign. In Europe, discontent and often rage is elicited by the fact that major decisions are taken by the unelected Troika, whatever the population might want.

The phenomena are visible throughout the industrial democracies, often called “populism.” Though causes vary, there are some commonalities. Central among them are the socioeconomic policies of the neoliberal era, which have concentrated wealth in a tiny fraction of the population while the majority have stagnated or declined. Take the US, which has not suffered as severely from these policies as others. In 2007, right before

the crash, at the peak of euphoria about the grand triumphs of neoliberalism, neoclassical economics, and the Great Moderation, real wages of American workers were actually lower than they had been in 1979, when the neoliberal experiment was just taking off, an unprecedented phenomenon. A primary reason was explained by Fed chair Alan Greenspan, when he testified to Congress on the successful economy he was managing. He informed Congress that “greater worker insecurity” was keeping wages and inflation low. He reported that even when unemployment was low, workers were too intimidated to ask for decent wages, benefits, and working conditions -- a sign of health of the economy by some standards.

Social justice measures also deteriorated through this period. But profits were booming, particularly in the financial sector, which exploded in scale and drastically changed their character during the neoliberal period, accounting for 40% of corporate profit in 2007, right before the crash for which they were, once again, largely responsible. After the crash, economists began to look more carefully at their role in the economy during this period. One highly regarded economist, Nobel laureate Robert Solow, noted that there had been surprisingly little study of the topic, and concluded on preliminary investigation that the general impact of these new institutions of the neoliberal era was probably harmful overall. But they continue to flourish, richer than ever after the crash.

One motive for the neoliberal “reforms” – as they are called – was to reverse a falling rate of profit that was a consequence of popular activism and worker militancy in the ‘60s. That was achieved, so in that sense the “reforms” were a success – apart from the population. Under such conditions, democracy can hardly be tolerated.

Much the same has been true in Europe under the lash of neoliberal austerity programs, which even IMF economists recognize lack sound economic basis. Economist Marc Weisbrot has carried out a careful and revealing investigation of the political agenda guiding the destructive economic policies. He studied the reports of the regular IMF consultations with member governments of the EU and discovered “a remarkably consistent and disturbing pattern.” The financial crisis was used as 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 bargaining power for labor and lower wages, more inequality and poverty, a smaller government and social safety nets, and measures that reduce growth and employment.”

“The IMF papers,” Weisbrot concludes, “detail the agenda of Europe’s decision-makers, and they have accomplished quite a bit of it over the past five years.” An agenda that is quite familiar in the United States and in fact wherever the neoliberal project has proceeded.

The overall record was reviewed recently in a careful analysis by economists of the Center for Economic and Policy Research in Washington. They compare the Washington Consensus years up to the Great Recession with the prior two decades (1960-1980). They found that “contrary to popular belief, the past 25 years (1980-2005) have seen a sharply slower rate of economic growth and reduced progress on social indicators for the vast majority of low- and middle-income countries.” The latter of course is the anticipated consequence of the programs of privatizing state functions, along with the undermining of democratic control as programs move into the hands of unaccountable private institutions.

People would not knowingly vote for such policies, so democracy must be sacrificed on the altar of locking in neoliberal reforms. The very idea that people should have a role in determining their social and economic fate is another victim of neoliberal doctrine. That was revealed with unusual clarity when the Greek government dared to ask the population whether they agree that Greece should continue to be destroyed by the “bail outs” – which, in fact, pass through Greece to pay off northern banks for their careless and risky loans while Greece’s debt burden has increased relative to GDP, and the country is being ruined. The reaction among European elites was outrage, particularly 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 in reaction to this deviation from good order.

The impact of the neoliberal domestic policies is magnified by accompanying features of the general program, among them, the particular form of international integration that has been constructed, setting working people in competition with one another worldwide while allowing free movement of capital, unconstrained by popular will, and at the same time providing substantial state support for private power. Among the methods of doing so are the highly protectionist features of the mislabelled “free trade agreements” and the enormous taxpayer subsidies that coexist easily with impassioned free market rhetoric. One example is the public subsidy to financial institutions. A recent IMF study of the profits of the major US banks 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 have become a regular occurrence after the dismantling of New Deal regulations. Relying on the IMF study, the business press – Bloomberg – estimated the subsidy to the big banks at over \$80 billion a year – trivial, to be sure, in comparison with the huge public subsidies to energy corporations and others. All of this has obvious effects on the welfare of the general public, while also contributing to the contempt for major institutions that is eroding democracy.

It is important to recognize that elite concern over the dangers of democratic participation were quite explicit during the transition from the regimented capitalism of the '50s and '60s – often called by economists “the golden age” of modern capitalism -- to the neoliberal era that followed. Such concerns were expressed across the mainstream spectrum. At the left-liberal extreme, they were articulated forcefully by the liberal internationalists of the Trilateral Commission, drawn from the three major centers of capitalist democracy, the US, Europe, and Japan; their political complexion is illustrated by the fact that in the US they largely staffed the Carter Administration.

In 1975, 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, when most of the population was silent, passive, apathetic and obedient, the system had been working very well. The American rapporteur, Professor Samuel 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.” Then democracy flourished, with no crisis.

But in the '60s, something dangerous happened. Special interest groups began to try to enter the political arena and press for their demands. The special interests were women, minorities, young people, old people, farmers, workers. In other words: the general population, who are supposed to observe passively while the intelligent minority runs affairs of state in the interest of everyone, according to liberal democratic theory – and this is no exaggeration. The record is very explicit.

The Trilateral scholars traced much of the crisis to the institutions responsible for education and socialization – what they call the institutions responsible for “the indoctrination of the young”: the schools,

the universities, the churches. They were not indoctrinating the young properly. That's why we have protests about policy, uprisings in the streets, and efforts of the special interests to press their demands in the political arena, imposing too heavy a burden on the state. They drew the natural conclusion. We must have more "moderation in democracy" if good order is to be maintained, and more effective indoctrination of the young.

That's the view from the left-liberal end of mainstream opinion. On the right, at the same time, much the same views were expressed though with different rhetoric. The most revealing, and probably most influential example is the Powell memorandum, written by corporate lawyer Lewis Powell, who was later appointed by Nixon to the Supreme Court. It was a confidential memorandum addressed to the American Chamber of Commerce, but soon leaked.

Powell's message to the business world was that the left, running wild in the '60s, was destroying the American Free Enterprise system. He identified the leading figures who led this revolutionary assault. One was Ralph Nader, with his consumer safety campaigns, which were compelling businesses to pay some attention to the lives and welfare of the public. The other sinister figure was Herbert Marcuse, preaching Marxism to the young New Leftists who were on the rampage all over, while their "naive victims" dominated the universities and schools, controlled TV and other media, the educated community and virtually the entire government. The takeover the country by the Marxist hordes, Powell said, is a dire threat to freedom.

No exaggeration, as you can see by reading the document.

Powell drew the obvious conclusion. He began by pointing out that [quote,para] "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."

The natural conclusion, which follows at once, is that the business world should organize and defend themselves instead of idly sitting by while the free enterprise system is destroyed by the Marxist onslaught from the

media, universities and the government. The business world has the resources, and should act. Democracy is a threat – as indeed it is, if policies are to be designed in the interests of concentrated wealth and private power while the population languishes.

The socioeconomic and political policies that came to dominate the subsequent years have mitigated the threat of democracy, with consequences that we see all around us. Centrist political institutions are discredited, public disillusionment, fear, and anger are running high, sometimes taking quite ominous forms, particularly in Europe. Bitter memories are not easy to suppress while viewing some of the electoral outcomes and passions, or when a 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 and erosion of national borders – which would be quite consistent with strengthening of cultural diversity in liberal and humane societies.

We cannot attribute all of these developments across the West to the neoliberal assault. But it is a common and significant factor. The mechanisms are not obscure. One is simply to transfer decision-making to an unelected bureaucracy, whose constituency is not the general public. Even without resort to this device, the concentration of wealth that is a dramatic feature of the neoliberal programs automatically yields levers of political power in ways too familiar to discuss, leading to legislation that carries the vicious cycle forward.

One consequence of the erosion of democracy, as I noted at the outset, is to undermine the primary barrier to the existential threats humans have constructed in the postwar period, hence to contribute to the perfect storm that may turn out to be the epitaph of modern civilization.