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Market Democracy in a Neoliberal Order

Doctrines and Reality

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I have been asked to speak on some aspect of academic or human freedom, an invitation that offers many choices. I will keep to some simple ones. Freedom without opportunity is a devil's gift, and the refusal to provide such opportunities is criminal. The fate of the more vulnerable offers a sharp measure of the distance from here to something that might be called "civilization." While I am speaking, 1000 children will die from easily preventable disease, and almost twice that many women will die or suffer serious disability in pregnancy or childbirth for lack of simple remedies and care.¹ UNICEF estimates that to overcome such tragedies, and to ensure universal access to basic social services, would require a quarter of the annual military expenditures of the "developing countries," about 10% of U.S. military spending. It is against

¹ UNICEF, *The State of the World's Children 1997* (Oxford University Press, Oxford, 1997). UNICEF, *The Progress of Nations 1996* (UNICEF House, New York, 1996).

the background of such realities as these that any serious discussion of human freedom should proceed.

It is widely held that the cure for such profound social maladies is within reach. The hopes have foundation. The past few years have seen the fall of brutal tyrannies, the growth of scientific understanding that offers great promise, and many other reasons to look forward to a brighter future. The discourse of the privileged is marked by confidence and triumphalism: the way forward is known, and there is no other. The basic theme, articulated with force and clarity, is that “America’s victory in the Cold War was a victory for a set of political and economic principles: democracy and the free market.” These principles are “the wave of the future – a future for which America is both the gatekeeper and the model.” I am quoting the chief political commentator of the *New York Times*, but the picture is conventional, widely repeated throughout much of the world, and accepted as generally accurate even by critics. It was also enunciated as the “Clinton Doctrine,” which declared that our new mission is to “consolidate the victory of democracy and open markets” that had just been won. There remains a range of disagreement: at one extreme “Wilsonian idealists” urge continued dedication to the traditional mission of benevolence; at the other, “realists” counter that we may lack the means to conduct these crusades of “global meliorism,” and should not neglect our own interests in the service of others.² Within this range lies the path to a better world.

Reality seems to me rather different. The current spectrum of public policy debate has as little relevance to actual policy as its numerous antecedents: neither the United States nor any other power has been guided by “global meliorism.” Democracy is under attack worldwide, including the leading industrial coun-

² Thomas Friedman, *NYT*, June 2, 1992; National Security Adviser Antony Lake, *NYT*, Sept. 26, 1993; historian David Fromkin, *NYT Book Review*, May 4, 1997, summarizing recent work.

spirit can achieve, and its limitless prospects – lessons that the world desperately needs to learn, and that should guide the next steps in the continuing struggle for justice and freedom here too, as the people of South Africa, fresh from one great victory, turn to the still more difficult tasks that lie ahead.

tries; at least, democracy in a meaningful sense of the term, involving opportunities for people to manage their own collective and individual affairs. Something similar is true of markets. The assaults on democracy and markets are furthermore related. Their roots lie in the power of corporate entities that are totalitarian in internal structure, increasingly interlinked and reliant on powerful states, and largely unaccountable to the public. Their immense power is growing as a result of social policy that is globalizing the structural model of the third world, with sectors of enormous wealth and privilege alongside an increase in “the proportion of those who will labor under all the hardships of life, and secretly sigh for a more equal distribution of its blessings,” as the leading framer of American democracy, James Madison, predicted 200 years ago.³ These policy choices are most evident in the Anglo-American societies, but extend worldwide. They cannot be attributed to what “the free market has decided, in its infinite but mysterious wisdom,” “the implacable sweep of ‘the market revolution,’” “Reaganesque rugged individualism,” or a “new orthodoxy” that “gives the market full sway.”⁴ The quotes are liberal-to-left, in some cases quite critical. The analysis is similar across the rest of the spectrum, but generally euphoric. The reality, on the contrary, is that state intervention plays a decisive role, as in the past, and the basic outlines of policy are hardly novel. Current versions reflect “capital’s clear subjugation of labor” for more than 15 years, in

³ On the general picture and its historical origins, see, *inter alia*, Frederic Clairmont’s classic study, *The Rise and Fall of Economic Liberalism* (Asia Publishing House, 1960), reprinted and updated (Thirld World Network: Penang and Goa, 1996); Michael Chossudovsky, *The Globalization of Poverty* (Penang: Thirld World Network, 1997). Clairmont has been an UNCTAD economist for many years; Chossudovsky is Professor of Economics at the University of Ottawa).

⁴ John Cassidy, *New Yorker*, Oct. 16, 1995; Harvey Cox, *World Policy Review*, Spring 1997; Martin Nolan, *BG*, March 5, 1997; John Buell, *The Progressive*, March 1997. The sample is liberal-to-left, in some cases quite critical. The analysis is similar across the rest of the spectrum, but generally euphoric.

the words of the business press,⁵ which often frankly articulates the perceptions of a highly class-conscious business community, dedicated to class war.

If these perceptions are valid, then the path to a world that is more just and more free lies well outside the range set forth by privilege and power. I cannot hope to establish such conclusions here, but only to suggest that they are credible enough to consider with care. And to suggest further that prevailing doctrines could hardly survive were it not for their contribution to “regimenting the public mind every bit as much as an army regiments the bodies of its soldiers,” to borrow the dictum of the respected Roosevelt-Kennedy liberal Edward Bernays in his classic manual for the Public Relations industry, of which he was one of the founders and leading figures.

Bernays was drawing from his experience in Woodrow Wilson’s State propaganda agency, the Committee on Public Information. “It was, of course, the astounding success of propaganda during the war that opened the eyes of the intelligent few in all departments of life to the possibilities of regimenting the public mind,” he wrote. His goal was to adapt these experiences to the needs of the “intelligent minorities,” primarily business leaders, whose task is “The conscious and intelligent manipulation of the organized habits and opinions of the masses.” Such “engineering of consent” is the very “essence of the democratic process,” Bernays wrote shortly before he was honored for his contributions by the American Psychological Association in 1949. The importance of “controlling the public mind” has been recognized with increasing clarity as popular struggles succeeded in extending the modalities of democracy, thus giving rise to what liberal elites call “the crisis of democracy” as when normally passive and apathetic populations become organized and seek to enter the political arena to pursue their interests and demands, threatening stability and order. As

⁵ John Liscio, *Barron’s*, April 15, 1996.

tle interest in it. A year earlier, a high-level planning study had urged “that cooperative development of the cheap foodstuffs and raw materials of northern Africa could help forge European unity and create an economic base for continental recovery,” an interesting concept of “cooperation.”⁶³ There is no record of a suggestion that Africa might “exploit” the West for its recovery from the “global meliorism” of the past centuries.

If we take the trouble to distinguish doctrine from reality, we find that the political and economic principles that have prevailed are remote from those that are proclaimed. One may also be skeptical about the prediction that they are “the wave of the future,” bringing history to a happy end. The same “end of history” has confidently been proclaimed many times in the past, always wrongly. And with all the sordid continuities, an optimistic soul can discern slow progress, realistically I think. In the advanced industrial countries, and often elsewhere, popular struggles today can start from a higher plane and with greater expectations than those of the past. And international solidarity can take new and more constructive forms as the great majority of the people of the world come to understand that their interests are pretty much the same and can be advanced by working together. There is no more reason now than there has ever been to believe that we are constrained by mysterious and unknown social laws, not simply decisions made within institutions that are subject to human will – human institutions, which have to face the test of legitimacy, and if they do not meet it, can be replaced by others that are more free and more just, as often in the past.

Skeptics who dismiss such thoughts as utopian and naive have only to cast their eyes on what has happened right here in the last few years, an inspiring tribute to what the human

⁶³ UNICEF, *State of World’s Children 1997*. Kennan, PPS 23, Feb. 24, 1948 (FRUS, vol I, 1948), p. 511. Michael Hogan, *The Marshall Plan* (Cambridge Univ. Press, Cambridge, 1987), 41, paraphrasing the May 1947 Bonesteel Memorandum.

world population increased by over 50% from 1960 to 1989, and predicts “growing world inequality resulting from the globalization process.” That growing disparity holds within the rich societies as well, the U.S. leading the way, Britain not far behind. The business press exults in “spectacular” and “stunning” profit growth, applauding the extraordinary concentration of wealth among the top few percent of the population while for the majority, conditions continue to stagnate or decline. The corporate media, the Clinton Administration, and the cheerleaders for the American Way generally, proudly offer themselves as a model for the rest of the world; buried in the chorus of self-acclaim are the results of deliberate social policy during the happy period of “capital’s clear subjugation of labor,” for example, the “basic indicators” just published by UNICEF,⁶² revealing that the U.S. has the worst record among the industrial countries, ranking alongside of Cuba – a poor Third World country under unremitting attack by the hemispheric superpower for almost 40 years – by such standards as mortality for children under five, and also holding records for hunger, child poverty, and other basic social indicators.

All of this takes place in the richest country in the world, with unparalleled advantages and stable democratic institutions, but also under business rule, to an unusual extent. These are further auguries for the future, if the “dramatic shift away from a pluralist, participatory ideal of politics and towards an authoritarian and technocratic ideal” proceeds on course, worldwide.

It is worth noting that in secret, intentions are often spelled out honestly, for example, in the early post-war II period, when George Kennan, one of the most influential planners and considered a leading humanist, assigned each sector of the world its “function”: Africa’s function was to be “exploited” by Europe for its reconstruction, he observed, the U.S. having lit-

⁶² UNICEF, *State of World’s Children 1997*.

Bernays explained the problem, with “universal suffrage and universal schooling,...at last even the bourgeoisie stood in fear of the common people. For the masses promised to become king,” a tendency fortunately reversed – so it has been hoped – as new methods “to mold the mind of the masses” were devised and implemented.⁶

Quite strikingly, in both of the world’s leading democracies there was a growing awareness of the need to “apply the lessons” of the highly successful propaganda systems of World War I “to the organization of political warfare,” as the chairman of the British Conservative Party put the matter 70 years ago. Wilsonian liberals in the U.S. drew the same conclusions in the same years, including public intellectuals and prominent figures in the developing profession of Political Science. In another corner of Western civilization, Adolf Hitler vowed that next time Germany would not be defeated in the propaganda war, and also devised his own ways to apply the lessons of Anglo-American propaganda for political warfare at home.⁷

Meanwhile the business world warned of “the hazard facing industrialists” in “the newly realized political power of the masses,” and the need to wage and win “the everlasting battle for the minds of men” and “indoctrinate citizens with the cap-

⁶ Bernays, *Propaganda* (Liveright, New York, 1928), chaps. 1, 2. See M.P. Crozier, S.J. Huntington, and J. Watanuki, *The Crisis of Democracy: Report on the Governability of Democracies to the Trilateral Commission* (New York University Press, New York, 1975).

⁷ Richard Cockett, “The Party, Publicity, and the Media,” in Anthony Seldon & Stuart Ball, eds., *Conservative Century: The Conservative Party Since 1900* (Oxford University Press, Oxford, 1994). Harold Lasswell, “Propaganda”, *Encyclopedia of the Social Sciences*, vol. 12 (Macmillan, New York, 1933). For quotes and discussion see my 1997 Huiziga lecture “Intellectuals and the State”, reprinted in *Toward a New Cold War* (Pantheon, New York, 1982). Also at last available is some of the pioneering work on these topics by Alex Carey, in his *Taking the Risk out of Democracy* (Univ of New South Wales Press, Sydney, 1995, and Univ. of Illinois Press, Urbana, 1997).

italist story” until “they are able to play back the story with remarkable fidelity”; and so on, in an impressive flow, accompanied by even more impressive efforts, and surely one of the central themes of modern history.⁸

To discover the true meaning of the “political and economic principles” that are declared to be “the wave of the future,” it is of course necessary to go beyond rhetorical flourishes and public pronouncements and to investigate actual practice and the internal documentary record. Close examination of particular cases is the most rewarding path, but these must be chosen carefully to give a fair picture. There are some natural guidelines. One reasonable approach is to take the examples chosen by the proponents of the doctrines themselves, as their “strongest case.” Another is to investigate the record where influence is greatest and interference least, so that we see the operative principles in their purest form. If we want to determine what the Kremlin meant by “democracy” and “human rights,” we will pay little heed to *Pravda*’s solemn denunciations of racism in the United States or state terror in its client regimes, even less to protestation of noble motives. Far more instructive is the state of affairs in the “people’s democracies” of Eastern Europe. The point is elementary, and applies to the self-designated “gatekeeper and model” as well. Latin America is the obvious testing ground, particularly the Central America-Caribbean region. Here Washington has faced few external challenges for almost a century, so the guiding principles of policy, and of today’s neoliberal “Washington consensus,” are revealed most clearly when we examine the state of the region, and how that came about.

⁸ Ibid., and Elisabeth Fones-Wolf, *Selling Free Enterprise: the Business Assault on Labor and Liberalism, 1945–1960* (Univ. of Illinois Press, Urbana, 1995). Also, Stuart Ewen, *PR!: A Social History of Spin* (Basic Books, New York, 1996). On the broader context, see my *Intellectuals and the State and Force and Opinion*, reprinted in *Deterring Democracy* (Verso, London, 1991).

vived at all as independent companies, if they had not been saved by their respective governments,” by socializing losses or simple state takeover when they were in trouble. One is the leading employer in Gingrich’s deeply conservative district, Lockheed, saved from collapse by \$2 billion government loan guarantees. The same study points out that government intervention, which has “been the rule rather than the exception over the past two centuries,...has played a key role in the development and diffusion of many product and process innovations – particularly in aerospace, electronics, modern agriculture, materials technologies, energy and transportation technology,” as well as telecommunications and information technologies generally (the Internet and World Wide Web are striking recent examples), and in earlier days, textiles and steel, and of course energy. Government policies “have been an overwhelming force in shaping the strategies and competitiveness of the world’s largest firms.”⁶⁰ Other technical studies confirm these conclusions.

As these examples indicate, the United States is not alone in its conceptions of “free trade,” even if its ideologues often lead the cynical chorus. The gap between rich and poor countries from 1960 is substantially attributable to protectionist measures of the rich, the UN Development Report concluded in 1992. The 1994 report concluded that “the industrial countries, by violating the principles of free trade, are costing the developing countries an estimated \$50 billion a year – nearly equal to the total flow of foreign assistance” – much of it publicly-subsidized export promotion.⁶¹ The 1996 Global Report of the UN Industrial Development Organization estimates that the disparity between the richest and poorest 20% of the

⁶⁰ Winfried Ruigrock and Rob van Tulder, *The Logic of International Restructuring* (Routledge, London, 1995), 221–2, 217.

⁶¹ For discussion, see Eric Toussaint & Peter Drucker, eds., *IMF/World Bank/WTO, Notebooks for Study and Research* (International Institute for Research and Education, Amsterdam, 1995), 24/5.

All understand very well that free enterprise means that the public pays the costs and bears the risks if things go wrong; for example bank and corporate bailouts that have cost the public hundreds of billions of dollars in recent years. Profit is to be privatized, but cost and risk socialized, in really existing market systems. The centuries-old tale proceeds today without notable change, not only in the United States, of course.

Public statements have to be interpreted in the light of these realities, among them, Clinton's current call for trade-not-aid for Africa, with a series of provisions that just happen to benefit U.S. investors and uplifting rhetoric that manages to avoid such matters as the long record of such approaches and the fact that the U.S. already had the most miserly aid program of any developed country even before the grand innovation. Or to take the obvious model, consider Chester Crocker's explanation of Reagan Administration plans for Africa in 1981. "We support open market opportunities, access to key resources, and expanding African and American economies," he said, and want to bring African countries "into the mainstream of the free market economy." The statement may seem to surpass cynicism, coming from the leaders of the "sustained assault" against "the free market economy." But Crocker's rendition is fair enough, when it is passed through the prism of really existing market doctrine. The market opportunities and access to resources are for foreign investors and their local associates, and the economies are to expand in a specific way, protecting "the minority of the opulent against the majority." The opulent, meanwhile, merit state protection and public subsidy. How else can they flourish, for the benefit of all?

To illustrate "really existing free market theory" with a different measure, the most extensive study of TNCs found that "Virtually all of the world's largest core firms have experienced a decisive influence from government policies and/or trade barriers on their strategy and competitive position" and "at least twenty companies in the 1993 Fortune 100 would not have sur-

It is of some interest that the exercise is rarely undertaken, and if proposed, castigated as extremist or worse. I leave it as an "exercise for the reader," merely noting that the record teaches useful lessons about the political and economic principles that are to be "the wave of the future."

Washington's "crusade for democracy," as it is called, was waged with particular fervor during the Reagan years, with Latin America the chosen terrain. The results are commonly offered as a prime illustration of how the U.S. became "the inspiration for the triumph of democracy in our time," to quote the editors of the leading intellectual journal of American liberalism.⁹ The most recent scholarly study of democracy describes "the revival of democracy in Latin America" as "impressive" but not unproblematic; the "barriers to implementation" remain "formidable," but can perhaps be overcome through closer integration with the United States.¹⁰ The author, Sanford Lakoff, singles out the "historic North American Free Trade Agreement (NAFTA)" as a potential instrument of democratization. In the region of traditional U.S. influence, he writes, the countries are moving towards democracy, having "survived military intervention" and "vicious civil war."

Let us begin by looking more closely at these recent cases, the natural ones given overwhelming U.S. influence, and the ones regularly selected to illustrate the achievements and promise of "America's mission."

The primary "barriers to implementation" of democracy, Lakoff suggests, are the "vested interests" that seek to protect "domestic markets" – that is, to prevent foreign (mainly U.S.) corporations from gaining even greater control over the society. We are to understand, then, that democracy is enhanced as significant decision-making shifts even more

⁹ Editorial, *New Republic*, March 19, 1990.

¹⁰ Sanford Lakoff, *Democracy: History, Theory, Practice* (Westview, Boulder, CO, 1996), 262f.

into the hands of unaccountable private tyrannies, mostly foreign-based. Meanwhile the public arena is to shrink still further as the state is “minimized” in accordance with the neoliberal “political and economic principles” that have emerged triumphant. A study of the World Bank points out that the new orthodoxy represents “a dramatic shift away from a pluralist, participatory ideal of politics and towards an authoritarian and technocratic ideal...,” one that is very much in accord with leading elements of twentieth century liberal and progressive thought, and in another variant, the Leninist model; the two are more similar than often recognized.¹¹

Thinking through the tacit reasoning, we gain some useful insight into the concepts of democracy and markets, in the operative sense.

Lakoff does not look into the “revival of democracy” in Latin America, but he does cite a scholarly source that includes a contribution on Washington’s crusade in the 1980s. The author is Thomas Carothers, who combines scholarship with an “insider’s perspective,” having worked on “democracy enhancement” programs in Reagan’s State Department.¹² Carothers regards Washington’s “impulse to promote democracy” as “sincere,” but largely a failure. Furthermore, the failure was systematic: where Washington’s influence was least, in South America, there was real progress towards democracy, which the Reagan Administration generally opposed, later taking credit for it when the process proved irresistible. Where Washington’s influence was greatest, progress was least, and where it occurred, the U.S. role was marginal or negative. His general conclusion

¹¹ J. Toye, J. Harrigan, and P. Mosley, *Aid and Power* (Routledge, London, 1991), vol. 1, p.16; cited by John Mihevc, *The Market Tells Them So* (Zed, London, 1995), 53. On the Leninist comparison, see my essays cited in note 8 and *For Reasons of State* (Pantheon, New York, 1973), introduction.

¹² Carothers, “The Reagan Years” in A. Lowenthal, ed., *Exporting Democracy* (Johns Hopkins Univ. Press, Baltimore, 1991). See also his *In the Name of Democracy* (Univ. of California Press, Berkeley, 1991).

who estimates the restrictive effects of Reaganite measures at about three times those of other leading industrial countries.⁵⁸

The great “swing toward protectionism” was only a part of the “sustained assault” on free trade principles that was accelerated under “Reaganite rugged individualism.” Another chapter of the story includes the huge transfer of public funds to private power, often under the traditional guise of “security,” a “defense buildup [that] actually pushed military R&D spending (in constant dollars) past the record levels of the mid-1960s,” Stuart Leslie notes.⁵⁹ The public was terrified with foreign threats (Russians, Libyans, etc.), but the Reaganite message to the business world was again much more honest. Without such extreme measures of market interference, it is doubtful that the U.S. automotive, steel, machine tool, semiconductor industries, and others, would have survived Japanese competition or been able to forge ahead in emerging technologies, with broad effects through the economy.

There is also no need to explain the operative doctrines to the leader of today’s “conservative revolution,” Newt Gingrich, who sternly lectures 7-year old children on the evils of welfare dependency while holding a national prize for directing public subsidies to his rich constituents. Or to the Heritage Foundation, which crafts the budget proposals for the congressional “conservatives,” and therefore called for (and obtained) an increase in Pentagon spending beyond Clinton’s increase to ensure that the “defense industrial base” remains solid, protected by state power and offering dual-use technology to its beneficiaries to enable them to dominate commercial markets and enrich themselves at public expense.

⁵⁸ *Ibid*, citing Secretary of the Treasury James Baker; Shafiqul Islam, *Foreign Affairs, America and the World* (Winter 1989–90); Low, *Trading Free* (Twentieth Century Fund, New York, 1993), 70ff., 271.

⁵⁹ Leslie, *The Cold War and American Science* (Columbia Univ. Press, New York, 1993), introduction.

put the matter simply: we should not use the word “subsidy,” he said; the word to use is “security.” He made sure the military budget would “meet the requirements of the aircraft industry,” as he put it. One consequence is that civilian aircraft is now the country’s leading export, and the huge travel and tourism industry, aircraft-based, is the source of major profits.⁵⁶

It was quite appropriate for Clinton to choose Boeing as “a model for companies across America” as he preached his “new vision” of the free market future, to much acclaim. A fine example of really existing markets, civilian aircraft production is now mostly in the hands of two firms, Boeing-McDonald and Airbus, each of which owes its existence and success to large-scale public subsidy. The same pattern prevails in computers and electronics generally, automation, biotechnology, communications, in fact just about every dynamic sector of the economy.⁵⁷

There was no need to explain this central feature of “really existing free market capitalism” to the Reagan Administration. They were masters at the art, extolling the glories of the market to the poor at home and the service areas abroad while boasting proudly to the business world that Reagan had “granted more import relief to U.S. industry than any of his predecessors in more than half a century” – in reality, more than all predecessors combined, as they “presided over the greatest swing toward protectionism since the 1930s,” shifting the U.S. from “being the world’s champion of multilateral free trade to one of its leading challengers,” the journal of the Council on Foreign Relations commented in a review of the decade. The Reaganites led “the sustained assault on [free trade] principle” by the rich and powerful from the early 1970’s that is deplored in a scholarly review by GATT secretariat economist Patrick Low,

⁵⁶ *Turning the Tide*, chap. 4.5; Frank Kofsky, *Harry Truman and the War Scare of 1948* (St. Martin’s press, New York, 1993); *World Orders, Old and New*, chap. 2.

⁵⁷ *Ibid.*

is that the U.S. sought to maintain “the basic order of...quite undemocratic societies” and to avoid “populist-based change,” “inevitably [seeking] only limited, top-down forms of democratic change that did not risk upsetting the traditional structures of power with which the United States has long been allied.”

The last phrase requires a gloss. The term “United States” is conventionally used to refer to structures of power within the United States; the “national interest” is the interest of these groups, which correlates only weakly with interests of the general population. So the conclusion is that Washington sought top-down forms of democracy that did not upset traditional structures of power with which the structures of power in the United States have long been allied. Not a very surprising fact, or much of a historical novelty.

To appreciate the significance of the fact, it is necessary to examine more closely the nature of parliamentary democracies. The United States is the most important case, not only because of its power, but because of its stable and long-standing democratic institutions. Furthermore, the United States was about as close to a model as one can find. America can be “As happy as she pleases,” Thomas Paine remarked in 1776: “she has a blank sheet to write upon.”¹³ The indigenous societies were largely eliminated. There is little residue of earlier European structures, one reason for the relative weakness of the social contract and of support systems, which often had their roots in pre-capitalist institutions. And to an unusual extent, the socio-political order was consciously designed. In studying history, one cannot construct experiments, but the U.S. is as close to the “ideal case” of state capitalist democracy as can be found.

Furthermore, the leading Framer of the constitutional system was an astute and lucid political thinker, James Madison, whose views largely prevailed. In the debates on the Consti-

¹³ Cited by Gordon Wood, *The Radicalism of the American Revolution* (Vintage, New York, 1991), 190.

tution, Madison pointed out that in England, if elections “were open to all classes of people, the property of landed proprietors would be insecure. An agrarian law would soon take place,” giving land to the landless. The system that he and his associates were designing must prevent such injustice, he urged, and “secure the permanent interests of the country,” which are property rights. It is the responsibility of government, Madison declared, “to protect the minority of the opulent against the majority.” To achieve this goal, political power must rest in the hands of “the wealth of the nation,” men who would “sympathize sufficiently” with property rights and “be safe depositories of power over them,” while the rest are marginalized and fragmented, offered only limited public participation in the political arena. Among Madisonian scholars, there is a consensus that “The Constitution was intrinsically an aristocratic document designed to check the democratic tendencies of the period,” delivering power to a “better sort” of people and excluding “those who were not rich, well born, or prominent from exercising political power.”¹⁴

These conclusions are often qualified by the observation that Madison, and the constitutional system generally, sought to balance the rights of persons against the rights of property. But the formulation is misleading. Property has no rights. In both principle and practice, the phrase “rights of property” means the right *to* property, typically material property, a personal right which must be privileged above all others, and is crucially different from others in that one person’s possession of such rights deprives another of them. When the facts are stated clearly, we can appreciate the force of the doctrine that “the people who own the country ought to govern it,” “one of [the]

¹⁴ Lance Banning, the leading scholarly proponent of the libertarian interpretation of Madison’s views, citing Gordon Wood. For further discussion and sources, see my *Powers and Prospects* (Allen & Unwin, Sidney, 1996; South End, Boston, 1996), chap. 5; and “Consent without Consent”, *Cleveland State Law Review*, forthcoming.

education can doubtless explain that the benefits will trickle down to Haitian peasants and slumdweller – ultimately, Africans may choose to follow a similar path, as currently advised by the leaders of “global meliorism” and local elites, and perhaps may see no choice under existing circumstances – a questionable judgment, I suspect. But if they do, it should be with eyes open.

The last example illustrates the most important departures from official free trade doctrine, more significant in the modern era than protectionism, which was far from the most radical interference with the doctrine in earlier periods either though it is the one usually studied under the conventional breakdown of disciplines, which makes its own useful contribution to disguising social and political realities. To mention one obvious example, the industrial revolution depended on cheap cotton, just as the “golden age” of contemporary capitalism has depended on cheap energy, but the methods for keeping the crucial commodities cheap and available, which hardly conform to market principles, do not fall within the professional discipline of economics.

One fundamental component of free trade theory is that public subsidies are not allowed. But after World War II, U.S. business leaders expected that the economy would collapse without the massive state intervention during the war that had finally overcome the great depression. They also insisted that advanced industry “cannot satisfactorily exist in a pure, competitive, unsubsidized, ‘free enterprise’ economy” and that “the government is their only possible savior” (Fortune, *Business Week*, expressing a general consensus). They recognized that the Pentagon system would be the best way to transfer costs to the public. Social spending could play the same stimulative role, but it has defects: it is not a direct subsidy to the corporate sector, it has democratizing effects, and it is redistributive. Military spending has none of these unwelcome features. It is also easy to sell, by deceit. President Truman’s Air Force Secretary

which provide the income of the overwhelming majority of the population. Foreign-owned assembly plants that employ workers (mostly women) at well below subsistence pay under horrendous working conditions benefit from cheap electricity, subsidized by the generous supervisor. But for the Haitian poor – the general population – there can be no subsidies for electricity, fuel, water or food; these are prohibited by IMF rules on the principled grounds that they constitute “price control.” Before the “reforms” were instituted, local rice production supplied virtually all domestic needs, with important linkages to the domestic economy. Thanks to one-sided “liberalization,” it now provides only 50%, with the predictable effects on the economy. The liberalization is, crucially, one-sided. Haiti must “reform,” eliminating tariffs in accord with the stern principles of economic science – which, by some miracle of logic, exempt U.S. agribusiness; it continues to receive huge public subsidies, increased by the Reagan Administration to the point where they provided 40% of growers’ gross incomes by 1987. The natural consequences are understood, and intended: a 1995 USAID report observes that the “export-driven trade and investment policy” that Washington mandates will “relentlessly squeeze the domestic rice farmer,” who will be forced to turn to the more rational pursuit of agroexport for the benefit of U.S. investors, in accord with the principles of rational expectations theory.⁵⁵

By such methods, the most impoverished country in the hemisphere has been turned into a leading purchaser of U.S.-produced rice, enriching publicly-subsidized U.S. enterprises. Those lucky enough to have received a good Western

⁵⁵ See my *Year 501* (South End, Boston, 1993), chap. 8, and sources cited; Farmer, *op. cit.*; *Labor Rights in Haiti*, International Labor Rights Education and Research Fund, April 1989; *Haiti after the Coup*, National Labor Committee Education Fund (New York), April 1993; Lisa McGowan, *Democracy Undermined, Economic Justice Denied: Structural Adjustment and the AID Juggernaut in Haiti* (Development Gap, Washington, Jan. 1997).

favorite maxims” of Madison’s influential colleague John Jay, his biographer observes.¹⁵

One may argue, as some historians do, that these principles lost their force as the national territory was conquered and settled, the native population driven out or exterminated. Whatever one’s assessment of those years, by the late 19th century the founding doctrines took on a new and much more oppressive form. When Madison spoke of “rights of persons,” he meant humans. But the growth of the industrial economy, and the rise of corporate forms of economic enterprise, led to a completely new meaning of the term. In a current official document, “‘Person’ is broadly defined to include any individual, branch, partnership, associated group, association, estate, trust, corporation or other organization (whether or not organized under the laws of any State), or any government entity,”¹⁶ a concept that doubtless would have shocked Madison and others with intellectual roots in the Enlightenment and classical liberalism – pre-capitalist, and anti-capitalist in spirit.

These radical changes in the conception of human rights and democracy were not introduced primarily by legislation, but by judicial decisions and intellectual commentary. Corporations, which previously had been considered artificial entities with no rights, were accorded all the rights of persons, and far more, since they are “immortal persons,” and “persons” of extraordinary wealth and power. Furthermore, they were no longer bound to the specific purposes designated by State charter, but could act as they chose, with few constraints. The intellectual backgrounds for granting such extraordinary rights to “collectivist legal entities” lie in neo-Hegelian doctrines that also underlie Bolshevism and fascism: the idea that organic en-

¹⁵ Frank Monaghan, *John Jay* (Bobbs-Merrill, 1935), 323.

¹⁶ *Survey of Current Business*, vol. 76, no. 12, Dec. 1996 (U.S. Department of Commerce, Washington, D.C.).

tities have rights over and above those of persons. Conservative legal scholars bitterly opposed these innovations, recognizing that they undermine the traditional idea that rights inhere in individuals, and undermine market principles as well.¹⁷ But the new forms of authoritarian rule were institutionalized, and along with them, the legitimation of wage labor, which was considered hardly better than slavery in mainstream American thought through much of the 19th century, not only by the rising labor movement but also by such figures as Abraham Lincoln, the Republican Party, and the establishment media.¹⁸

These are topics with enormous implications for understanding the nature of market democracy. Again, I can only mention them here. The material and ideological outcome helps explain the understanding that “democracy” abroad must reflect the model sought at home: “top-down” forms of control, with the public kept to a “spectator” role, not participating in the arena of decision-making, which must exclude these “ignorant and meddling outsiders,” according to the mainstream of modern democratic theory. I happen to be quoting the essays on democracy by Walter Lippmann, one of the most respected American public intellectuals and journalists of the century.¹⁹ But the general ideas are standard and have solid roots in the constitutional tradition, radically modified, however, in the new era of collectivist legal entities.

¹⁷ Morton Horwitz, *The Transformation of American Law, 1870–1960* (Harvard Univ. Press, Cambridge, MA, 1992), chap. 3. See also Charles Sellers, *The Market Revolution* (Oxford Univ. Press, Oxford, 1991).

¹⁸ See Michael Sandel, *Democracy’s Discontent* (Harvard Univ. Press, Cambridge, MA, 1996), chap. 6. His interpretation in terms of republicanism and civic virtue is too narrow, in my opinion, overlooking deeper roots in the Enlightenment and before. For some discussion, see among others my *Problems of Knowledge and Freedom* (Pantheon, 1971), chap. 1; several essays reprinted in James Peck, ed., *The Chomsky Reader* (Pantheon, New York, 1987); and *Powers and Prospects*, chap. 4.

¹⁹ See Carey, *op. cit.*, and *Force and Opinion*.

One revealing example is Haiti, along with Bengal the world’s richest colonial prize and the source of a good part of France’s wealth, largely under U.S. control since Wilson’s Marines invaded 80 years ago, and by now such a catastrophe that it may scarcely be habitable in the not-too-distant future. In 1981, a USAID-World Bank development strategy was initiated, based on assembly plants and agroexport, shifting land from food for local consumption. USAID forecast “a historic change toward deeper market interdependence with the United States” in what would become “the Taiwan of the Caribbean.” The World Bank concurred, offering the usual prescriptions for “expansion of private enterprises” and minimization of “social objectives,” thus increasing inequality and poverty, and reducing health and educational levels; it may be noted, for what it is worth, that these standard prescriptions are offered side-by-side with sermons on the need to reduce inequality and poverty and improve health and educational levels, while World Bank technical studies recognize that relative equality and high health and educational standards are crucial factors in economic growth. In the Haitian case, the consequences were the usual ones: profits for U.S. manufacturers and the Haitian superrich, and a decline of 56% in Haitian wages through the 1980s – in short, an “economic miracle.” Haiti remained Haiti, not Taiwan, which had followed a radically different course, as advisers must surely know.

It was the effort of Haiti’s first democratic government to alleviate the growing disaster that called forth Washington’s hostility and the military coup and terror that followed. With “democracy restored,” USAID is withholding aid to ensure that cement and flour mills are privatized for the benefit of wealthy Haitians and foreign investors (Haitian “Civil Society,” according to the orders that accompanied the restoration of democracy), while barring expenditures for health and education. Agribusiness receives ample funding, but no resources are made available for peasant agriculture and handicrafts,

from less than 10% before the war to more than half by 1950, while Argentine exports reduced by two-thirds. U.S. Food for Peace aid was also used both to subsidize U.S. agribusiness and shipping and to undercut foreign producers, among other measures to prevent independent development.⁵³ The virtual destruction of Colombia's wheat growing by such means is one of the factors in the growth of the drug industry, which has been further accelerated throughout the Andean region by the neoliberal policies of the past few years. Kenya's textile industry collapsed in 1994 when the Clinton Administration imposed a quota, barring the path to development that has been followed by every industrial country, while "African reformers" are warned that they "must make more progress" in improving the conditions for business operations and "sealing in free-market reforms" with "trade and investment policies" that meet the requirements of Western investors. In December 1996 Washington barred exports of tomatoes from Mexico in violation of NAFTA and W.T.O. rules (though not technically, because it was a sheer power play and did not require an official tariff), at a cost to Mexican producers of close to \$1 billion annually. The official reason for this gift to Florida growers is that prices were "artificially suppressed by Mexican competition" and Mexican tomatoes were preferred by U.S. consumers. In other words, free market principles were working, but with the wrong outcome.⁵⁴

These are only scattered illustrations.

⁵³ See, *inter alia*, Gerald Haines, *The Americanization of Brazil* (Scholarly Resources, Wilmington, DE, 1989); Nathan Godfried, *Bridging the Gap between Rich and Poor* (Greenwood, Westport, CO, 1987); Michael Weis, *Cold Warriors & Coups d'Etat* (Univ. of New Mexico press, Albuquerque, 1993); David Rock, *Argentina* (Univ. of California press, Berkeley, 1987) 269, 292f.

⁵⁴ Colombia, Walter LaFeber, "The Alliances in Retrospect," in Andrew Maguire and Janet Welsh Brown, eds., *Bordering on Trouble* (Adler & Adler, Bethesda, MD, 1986). Kenya, Michael Phillips, "U.S. is Seeking to Build its Trade with Africa," *Wall Street Journal*, June 2, 1997. Mexico, David Sanger, "President Wins Tomato Accord for Floridians," *NYT*, Oct. 12, 1996.

Returning to the "victory of democracy" under U.S. guidance, neither Lakoff nor Carothers asks how Washington maintained the traditional power structure of highly undemocratic societies. Their topic is not the terrorist wars that left tens of thousands of tortured and mutilated corpses, millions of refugees, and devastation perhaps beyond recovery – in large measure wars against the Church, which became an enemy when it adopted "the preferential option for the poor," trying to help suffering people to attain some measure of justice and democratic rights. It is more than symbolic that the terrible decade of the 1980s opened with the murder of an Archbishop who had become "a voice for the voiceless," and closed with the assassination of six leading Jesuit intellectuals who had chosen the same path, in each case by terrorist forces armed and trained by the victors of the "crusade for democracy." One should take careful note of the fact that the leading Central American dissident intellectuals were doubly assassinated: both murdered, and silenced. Their words, indeed their very existence, are scarcely known in the United States, unlike dissidents in enemy states, who are greatly honored and admired; another cultural universal, I presume.

Such matters do not enter history as recounted by the victors. In Lakoff's study, which is not untypical in this regard, what survives are references to "military intervention" and "civil wars," with no external factor identified. These matters will not so quickly be put aside, however, by those who seek a better grasp of the principles that are to shape the future, if the structures of power have their way.

Particularly revealing is Lakoff's description of Nicaragua, again standard: "a civil war was ended following a democratic election, and a difficult effort is underway to create a more prosperous and self-governing society." In the real world, the superpower attacking Nicaragua escalated its assault *after* the country's first democratic election: the election of 1984, closely monitored and recognized as legitimate by the professional

association of Latin American scholars (LASA), Irish and British Parliamentary delegations, and others, including a hostile Dutch government delegation that was remarkably supportive of Reaganite atrocities, as well as the leading figure of Central American democracy, Jos Figueres of Costa Rica, also critical observer, though regarding the elections as legitimate in this “invaded country,” and calling on Washington to allow the Sandinistas “to finish what they started in peace; they deserve it.” The U.S. strongly opposed the holding of the elections and sought to undermine them, concerned that democratic elections might interfere with its terrorist war. But that concern was put to rest by the good behavior of the doctrinal system, which barred the reports with remarkable efficiency, reflexively adopting the state propaganda line that the elections were meaningless fraud.²⁰

Overlooked as well is the fact that as the next election approached on schedule,²¹ Washington left no doubt that unless the results came out the right way, Nicaraguans would continue to endure the illegal economic warfare and “unlawful use of force” that the World Court had condemned and ordered terminated, of course in vain. This time the outcome was accept-

²⁰ For details, see my *Turning the Tide* (South End, Boston, 1988), chap. 11 (and sources cited), including long quotes from Figueres, whose exclusion from the media took considerable dedication. See my *Letters from Lexington* (Common Courage, Monroe, NH, 1993), chap. 6, on the record, including the long obituary in the NYT by its Central America specialist and the effusive accompanying editorial, which again succeeded in completely banning his views on Washington’s “crusade for democracy”. On media coverage of Nicaraguan and Salvadoran elections, see Edward Herman and Noam Chomsky, *Manufacturing Consent* (Pantheon, New York, 1988), chap. 3. Even Carothers, who is careful with the facts, writes that the Sandinistas “refused to agree to elections” until 1990.

²¹ Another standard falsification is that the long-planned elections took place only because of Washington’s military and economic pressures, which are therefore retroactively justified.

same time – but against England, not Japan. No such luck, under really existing free market doctrine.⁵¹

With the abandonment of its restricted version of *laissez-faire* in the 1930s, the British government turned to more direct intervention into the domestic economy as well. Within a few years, machine tool output increased five times, along with a boom in chemicals, steel, aerospace, and a host of new industries, “an unsung new wave of industrial revolution,” Will Hutton writes. State-controlled industry enabled Britain to out-produce Germany during the war, even to narrow the gap with the U.S., which was then undergoing its own dramatic economic expansion as corporate managers took over the state-coordinated wartime economy.⁵²

A century after England turned to a form of liberal internationalism, the U.S. followed the same course. After 150 years of protectionism and violence, the U.S. had become by far the richest and most powerful country in the world, and like England before it, came to perceive the merits of a “level playing field” on which it could expect to crush any competitor. But like England, with crucial reservations.

One was that Washington used its power to bar independent development elsewhere, as England had done. In Latin America, Egypt, South Asia, and elsewhere, development was to be “complementary,” not “competitive.” There was also large-scale interference with trade. For example, Marshall Plan aid was tied to purchase of U.S. agricultural products, part of the reason why the U.S. share in world trade in grains increased

⁵¹ Radhakamal Mukerjee, *The Economic History of India: 1600–1800* (Kitab Mahal, Allahabad, 1967); C.A. Bayly, *The New Cambridge History of India* (Cambridge Univ. Press, Cambridge, 1988). Dietmar Rothermund, *An Economic History of India* (Croom Helm, London, 1993); Bairoch, *op. cit.*

⁵² Hutton, *The State We’re In* (Jonathan Cape, London, 1995), pp. 128f. On the wartime revival of the U.S. economy, laying the basis for post-war economic growth, see Gregory Hooks, *Forging the Military-Industrial Complex* (Univ. of Illinois press, Urbana, 1991).

the defenseless, but it is “really existing doctrine” that has been adopted by the powerful since the days when Britain emerged as Europe’s most advanced fiscal-military and developmental state, with sharp increases in taxation and efficient public administration as the state became “the largest single actor in the economy” and its global expansion,⁵⁰ establishing a model that has been followed to the present in the industrial world, surely by the United States, from its origins.

Britain did finally turn to liberal internationalism – in 1846, after 150 years of protectionism, violence, and state power had placed it far ahead of any competitor. But the turn to the market had significant reservations. 40% of British textiles continued to go to colonized India, and much the same was true of British exports generally. British steel was kept from U.S. markets by very high tariffs that enabled the United States to develop its own steel industry. But India and other colonies were still available, and remained so when British steel was priced out of international markets. India is an instructive case; it produced as much iron as all of Europe in the late 18th century, and British engineers were studying more advanced Indian steel manufacturing techniques in 1820 to try to close “the technological gap.” Bombay was producing locomotives at competitive levels when the railway boom began. But “really existing free market doctrine” destroyed these sectors of Indian industry just as it had destroyed textiles, ship-building, and other industries that were advanced by the standards of the day. The U.S. and Japan, in contrast, had escaped European control, and could adopt Britain’s model of market interference.

When Japanese competition proved to be too much to handle, England simply called off the game: the empire was effectively closed to Japanese exports, part of the background of World War II. Indian manufacturers asked for protection at the

⁵⁰ John Brewer, *Sinews of Power* (Knopf, New York, 1989).

able, and hailed in the U.S. with an outburst of exuberance that is highly informative.²²

At the outer limits of critical independence, columnist Anthony Lewis of the *New York Times* was overcome with admiration for Washington’s “experiment in peace and democracy,” which showed that “we live in a romantic age.” The experimental methods were no secret. Thus *Time* magazine, joining in the celebration as “democracy burst forth” in Nicaragua, outlined them frankly: to “wreck the economy and prosecute a long and deadly proxy war until the exhausted natives overthrow the unwanted government themselves,” with a cost to us that is “minimal,” leaving the victim “with wrecked bridges, sabotaged power stations, and ruined farms,” and providing Washington’s candidate with “a winning issue,” ending the “impoverishment of the people of Nicaragua,” not to speak of the continuing terror, better left unmentioned. To be sure, the cost to them was hardly “minimal”: Carothers notes that the toll “in per capita terms was significantly higher than the number of U.S. persons killed in the U.S. Civil War and all the wars of the twentieth century combined.”²³ The outcome was a “Victory for U.S. Fair Play,” a headline in the *Times* exulted, leaving Americans “United in Joy,” in the style of Albania and North Korea.

The methods of this “romantic age,” and the reaction to them in enlightened circles, tell us more about the democratic principles that have emerged victorious. They also shed some light on why it is such a “difficult effort” to “create a more prosperous and self-governing society” in Nicaragua. It is true that the effort is now underway, and is meeting with some success for a privileged minority, while most of the population faces social and economic disaster, all in the familiar pattern of Western de-

²² On the elections and the reaction in Latin America and the U.S., including sources for what follows, see *Deterring Democracy*, chap. 10.

²³ His emphasis, *op. cit.*

pendencies.²⁴ Note that it is precisely this example that led the editors to laud themselves as “the inspiration for the triumph of democracy in our time,” joining the enthusiastic chorus.

We learn more about the victorious principles by recalling that these same representative figures of liberal intellectual life had urged that Washington’s wars must be waged mercilessly, with military support for “Latin-style fascists,...regardless of how many are murdered,” because “there are higher American priorities than Salvadoran human rights.” Elaborating, editor Michael Kinsley, who represented “the left” in mainstream commentary and television debate, cautioned against unthinking criticism of Washington’s official policy of attacking undefended civilian targets. Such international terrorist operations cause “vast civilian suffering,” he acknowledged, but they may be “perfectly legitimate” if “cost-benefit analysis” shows that “the amount of blood and misery that will be poured in” yields “democracy,” as the world rulers define it. Enlightened opinion insists that terror is not a value in itself, but must meet the pragmatic criterion. Kinsley later observed that the desired ends had been achieved: “impoverishing the people of Nicaragua was precisely the point of the contra war and the parallel policy of economic embargo and veto of international development loans,” which “wreck[ed] the economy” and “creat[ed] the economic disaster [that] was probably the victorious opposition’s best election issue.” He then joined in welcoming the “triumph of democracy” in the “free election” of 1990.²⁵

Client states enjoy similar privileges. Thus, commenting on yet another of Israel’s attacks on Lebanon, foreign editor

²⁴ For details, see, *inter alia*, Richard Garfield, “Desocializing Health Care in a Developing Country,” *J. of the American Medical Association*, Aug. 25, 1993, vol. 270, no. 8; my *World Orders, Old and New* (Columbia Univ. Press, New York, 1994), pp. 131f.

²⁵ Kinsley, *Wall Street Journal*, March 26, 1987; *New Republic*, March 19, 1990. For more on these and many similar examples, see *Culture of Terrorism*, chap. 5; *Deterring Democracy*, chaps. 10, 12.

conclusions about institutions with limited public accountability. Some economists have plausibly described the world system as one of “corporate mercantilism,” remote from the ideal of free trade. The OECD concludes that “Oligopolistic competition and strategic interaction among firms and governments rather than the invisible hand of market forces condition today’s competitive advantage and international division of labor in high-technology industries,”⁴⁸ implicitly adopting a similar view.

Even the basic structure of the domestic economy violates the neoliberal principles that are hailed. The main theme of the standard work on U.S. business history is that “modern business enterprise took the place of market mechanisms in coordinating the activities of the economy and allocating its resources,” handling many transactions internally, another large departure from market principles.⁴⁹ There are many others. Consider, for example, the fate of Adam Smith’s principle that free movement of people is an essential component of free trade – across borders, for example. When we move on to the world of Transnational Corporations, with strategic alliances and critical support from powerful states, the gap between doctrine and reality becomes substantial.

Free market theory comes in two varieties: the official doctrine, and what we might call “really existing free market doctrine”: Market discipline is good for you, but I need the protection of the nanny state. The official doctrine is imposed on

cial Times, Feb. 12, 1997 (subtitled “Mexico: a healthier outlook,” the article reviews the increasing misery of the vast majority of the population, apart from “the very rich”). Post-NAFTA intrafirm transactions, William Greider, *One World, Ready or Not* (Simon & Schuster, New York, 1997), p. 273, citing Mexican economist Carlos Heredia.

⁴⁸ 1992 OECD study cited by Clinton’s former chief economic adviser Laura Tyson, *Who’s Bashing Whom?* (Institute for International Economics, Washington, D.C., 1992).

⁴⁹ Alfred Chandler, *The Visible Hand* (Belknap Press, Cambridge, MA, 1977).

visions tell us more about the economic principles that have emerged victorious. It is not a “free trade agreement.” Rather, it is highly protectionist, designed to impede East Asian and European competitors. Furthermore, it shares with the global agreements such anti-market principles as “intellectual property rights” restrictions of an extreme sort that rich societies never accepted during their period of development, but that they now intend to use to protect home-based corporations: to destroy the pharmaceutical industry in poorer countries, for example – and, incidentally, to block technological innovations, such as improved production processes for patented products; progress is no more a desideratum than markets, unless it yields benefits for those who count.

There are also questions about the nature of “trade.” Over half of U.S. trade with Mexico is reported to consist of intrafirm transactions, up about 15% since NAFTA. For example, already a decade ago, mostly U.S.-owned plants in Northern Mexico employing few workers and with virtually no linkages to the Mexican economy produced more than 1/3 of engine blocks used in U.S. cars and 3/4 of other essential components. The post-NAFTA collapse of the Mexican economy in 1994, exempting only the very rich and U.S. investors (protected by U.S. government bailouts), led to an increase of U.S.-Mexico trade as the new crisis, driving the population to still deeper misery, “transformed Mexico into a cheap [i.e., even cheaper] source of manufactured goods, with industrial wages one-tenth of those in the US,” the business press reports. Ten years ago According to some specialists, half of U.S. trade worldwide consists of such centrally-managed transactions and much the same is true of other industrial powers,⁴⁷ though one must treat with caution

⁴⁷ Vincent Cable, *Daedalus* (Spring, 1995), citing UN *World Investment Report 1993* (which, however, gives quite different figures, noting also that “relatively little data are available”; pp. 164f). U.S – Mexico, David barkin and Fred Rosen, “Why the Recovery is Not a Recovery,” *NACLA Report on the Americas*, Jan./Feb. 1997; Leslie Crawford, “Legacy of shock therapy,” *Finan-*

H.D.S. Greenway of the *Boston Globe*, who had graphically reported the first major invasion 15 years earlier, commented that “If shelling Lebanese villages, even at the cost of lives, and driving civilian refugees north would secure Israel’s border, weaken Hezbollah, and promote peace, I would say go to it, as would many Arabs and Israelis. But history has not been kind to Israeli adventures in Lebanon. They have solved very little and have almost always caused more problems.” By the pragmatic criterion, then, the murder of many civilians, expulsion of hundreds of thousand of refugees, and devastation of southern Lebanon is a dubious proposition.²⁶

It would not be too hard, I presume, to find comparable examples here in the recent past.

Bear in mind that I am keeping to the dissident sector of tolerable opinion, what is called “the left,” a fact that tells us more about the victorious principles and the intellectual culture within which they find their place.

Also revealing was the reaction to periodic Reagan Administration allegations about Nicaraguan plans to obtain jet interceptors from the Soviet Union (the U.S. having coerced its allies into refusing to sell them). Hawks demanded that Nicaragua be bombed at once. Doves countered that the charges must first be verified, but if they were, the U.S. would have to bomb Nicaragua. Sane observers understood why Nicaragua might want jet interceptors: to protect its territory from CIA overflights that were supplying the U.S. proxy forces and providing them with up-to-the-minute information so that they could follow the directive to attack undefended “soft targets.” The tacit assumption is that no country has a right to defend civilians from U.S. attack. The doctrine, which reigned challenged, is an interesting one. It might be illuminating to seek counterparts elsewhere.

²⁶ Greenway, *BG*, July 29, 1993.

The pretext for Washington's terrorist wars was self-defense, the standard official justification for just about any monstrous act, even the Nazi Holocaust. Indeed Ronald Reagan, finding "that the policies and actions of the Government of Nicaragua constitute an unusual and extraordinary threat to the national security and foreign policy of the United States," declared "a national emergency to deal with that threat," arousing no ridicule.²⁷ Others react differently. In response to John F. Kennedy's efforts to organize collective action against Cuba in 1961, a Mexican diplomat explained that Mexico could not go along, because "If we publicly declare that Cuba is a threat to our security, forty million Mexicans will die laughing."²⁸ Enlightened opinion in the West takes a more sober view of the extraordinary threat to national security. By similar logic, the USSR had every right to attack Denmark, a far greater threat to its security, and surely Poland and Hungary when they took steps towards independence. The fact that such pleas can regularly be put forth is again an interesting comment on the intellectual culture of the victors, and another indication of what lies ahead.

The substance of the Cold War pretexts is greatly illuminated by the case of Cuba, as are the real operative principles. These have emerged with much clarity once again in the past few weeks, with Washington's refusal to accept World Trade Organization adjudication of a European Union challenge to its embargo, which is unique in its severity, and had already been condemned as a violation of international law by the Organization of American States and repeatedly by the United Nations, with near unanimity, more recently extended to severe penalties for third parties that disobey Washington's edicts, yet another violation of international law and trade agreements. The official re-

²⁷ NYT, May 2, 1985.

²⁸ Ruth Leacock, *Requiem for Revolution* (Kent State Univ. press, Kent, OH, 1990), 33.

of structural adjustment, over 80% of the U.S. population had come to regard the democratic system as a sham, with business far too powerful, and the economy as "inherently unfair." These are natural consequences of the specific design of "market democracy" under business rule.

Natural, and not unexpected. Neoliberalism is centuries old, and its effects should not be unfamiliar. The well-known economic historian Paul Bairoch points out that "there is no doubt that the Third World's compulsory economic liberalism in the nineteenth century is a major element in explaining the delay in its industrialization," or even "deindustrialization," while Europe and the regions that managed to stay free of its control developed by radical violation of these principles.⁴⁶ Referring to the more recent past, Arthur Schlesinger's secret report on Kennedy's Latin American mission realistically criticized "the baleful influence of the International Monetary Fund," then pursuing the 1950's version of today's "Washington Consensus" ("structural adjustment," "neoliberalism"). Despite much confident rhetoric, not much is understood about economic development. But some lessons of history seem reasonably clear, and not hard to understand.

Let us return to the prevailing doctrine that "America's victory in the Cold War" was a victory for democracy and the free market. With regard to democracy, the doctrine is partially true, though we have to understand what is meant by "democracy": top-down control "to protect the minority of the opulent against the majority." What about the free market? Here too, we find that doctrine is far removed from reality, as several examples have already illustrated.

Consider again the case of NAFTA, an agreement intended to lock Mexico into an economic discipline that protects investors from the danger of a "democracy opening." Its pro-

⁴⁶ Bairoch, *Economics and World History* (Univ. of Chicago press, Chicago, 1993).

Now democracy has been restored. The new government has been forced to abandon the democratic and reformist programs that scandalized Washington, and to follow the policies of Washington's candidate in the 1990 election, in which he received 14% of the vote.

The prize example tells us more about the meaning and implications of the victory for "democracy and open markets."

Haitians seem to understand the lessons, even if doctrinal managers in the West prefer a different picture. Parliamentary elections in April 1997 brought forth "a dismal 5 percent" of voters, the press reported, thus raising the question "Did Haiti Fail US Hope?"⁴⁴ We have sacrificed so much to bring them democracy, but they are ungrateful and unworthy. One can see why "realists" urge that we stay aloof from crusades of "global meliorism."

Similar attitudes hold throughout the hemisphere. Polls show that in Central America, politics elicits "boredom," "distrust" and "indifference" in proportions far outdistancing "interest" or "enthusiasm" among "an apathetic public...which feels itself a spectator in its democratic system" and has "general pessimism about the future." The first Latin America survey, sponsored by the EU, found much the same: "the survey's most alarming message," the Brazilian coordinator commented, was "the popular perception that only the elite had benefited from the transition to democracy."⁴⁵ Latin American scholars observe that the recent wave of democratization coincided with neoliberal economic reforms, which have been very harmful for most people, leading to a cynical appraisal of formal democratic procedures. The introduction of similar programs in the richest country in the world has had similar effects. By the early 1990s, after 15 years of a domestic version

⁴⁴ Nick Madigan, "Democracy in Inaction: Did Haiti Fail US Hope?," *Christian Science Monitor*, April 8, 1997, AP, BG, April 8, 1997.

⁴⁵ John McPhaul, *Tico Times* (Costa Rica), April 11 May 2, 1997.

sponse of the Clinton Administration, as reported by the Newspaper of Record, is that "Europe is challenging 'three decades of American Cuba policy that goes back to the Kennedy Administration,' and is aimed entirely at forcing a change of government in Havana."²⁹ The Administration also declared that the W.T.O. "has no competence to proceed" on an issue of American national security, and cannot "force the U.S. to change its laws."

At the very same moment, Washington and the media were lauding the W.T.O. Telecommunications agreement as a "new tool of foreign policy" that compels other countries to change their laws and practices in accord with Washington's demands, incidentally handing over their communications systems to mainly U.S. megacorporations in yet another serious blow against democracy.³⁰ But the W.T.O. has no authority to compel the U.S. to change its laws, just as the World Court has no authority to compel the U.S. to terminate its international terrorism and illegal economic warfare. Free trade and international law are like democracy: fine ideas, but to be judged by outcome, not process.

²⁹ David Sanger, "U.S. Won't Offer Testimony on Cuba Embargo," *NYT*, Feb. 21, 1997. The actual official wording is that the "bipartisan policy since the early 1960s [is] based on the notion that we have a hostile and unfriendly regime 90 miles from our border, and that anything done to strengthen that regime will only encourage the regime to not only continue its hostility but, through much of its tenure, to try to destabilize large partes of Latin America," so that Cuba is a national security threat to the U.S. and to Latin America – much as Denmark has been to Russia and Eastern Europe. Morris Morley and Chris McGillion, *Washington Report on the Hemisphere* (Council on Hemispheric Affairs, June 3, 1997).

³⁰ David Sanger, "Playing the Trade Card: U.S. Is Exporting Its Free-Market Values Through Global Commercial Agreements," *NYT*, Feb. 17, 1997. On the same day, *Times* editors warned the EU not to turn to the W.T.O. on Washington's sanctions against Cuba. The whole affair is "essentially a political dispute," they explain, not touching on Washington's "free-trade obligations."

The reasoning with regard to the W.T.O. is reminiscent of the official U.S. grounds for dismissing World Court adjudication of Nicaragua's charges. In both cases, the U.S. rejected jurisdiction on the plausible assumption that rulings would be against the U.S.; by simple logic, then, neither is a proper forum. The State Department Legal Adviser explained that when the U.S. accepted World Court jurisdiction in the 1940s, most members of the U.N. "were aligned with the United States and shared its views regarding world order." But now "A great many of these cannot be counted on to share our view of the original constitutional conception of the U.N. Charter," and "This same majority often opposes the United States on important international questions." Lacking a guarantee that it will get its way, the U.S. must now "reserve to ourselves the power to determine whether the Court has jurisdiction over us in a particular case," on the principle that "the United States does not accept compulsory jurisdiction over any dispute involving matters essentially within the domestic jurisdiction of the United States, as determined by the United States." The "domestic matters" in question were the U.S. attack against Nicaragua.³¹

The media, along with intellectual opinion generally, agreed that the Court discredited itself by ruling against the United States. The crucial parts of its decision were not reported, including its determination that all U.S. aid to the contras is military and not humanitarian; it remained "humanitarian aid" across the spectrum of respectable opinion until Washington's terror, economic warfare, and subversion of diplomacy brought about the "Victory for U.S. Fair Play."³²

Returning to the W.T.O. case, we need not tarry on the allegation that the existence of the United States is at stake in

³¹ Sofaer, *The United States and the World Court*, U.S. Dept. of State, Bureau of Public Affairs, Current Policy, No. 769 (Dec. 1985).

³² For detailed review of the very successful subversion of diplomacy, hailed generally as a triumph of diplomacy, see *Culture of Terrorism*, chap. 7; and my *Necessary Illusions* (South End, Boston, 1989), Appendix IV.5.

It was also necessary to put President Aristide through "a crash course in democracy and capitalism," as his leading supporter in Washington described the process of civilizing the troublesome priest.

The device is not unknown elsewhere, as an unwelcome transition to formal democracy is contemplated.

As a condition on his return, Aristide was compelled to accept an economic program that directs the policies of the Haitian government to the needs of "Civil Society, especially the private sector, both national and foreign": U.S. investors are designated to be the core of Haitian Civil Society, along with wealthy Haitians who backed the military coup, but not the Haitian peasants and slum-dwellers who organized a civil society so lively and vibrant that they were even able to elect their own president against overwhelming odds, eliciting instant U.S. hostility and efforts to subvert Haiti's first democratic regime.⁴²

The unacceptable acts of the "ignorant and meddlesome outsiders" in Haiti were reversed by violence, with direct U.S. complicity, not only through contacts with the state terrorists in charge. The Organization of American States declared an embargo. The Bush and Clinton Administrations undermined it from the start by exempting U.S. firms, and also by secretly authorizing the Texaco Oil Company to supply the coup regime and its wealthy supporters in violation of the official sanctions, a crucial fact that was prominently revealed the day before U.S. troops landed to "restore democracy,"⁴³ but has yet to reach the public, and is an unlikely candidate for the historical record.

⁴² See Paul Farmer, *The Uses of Haiti* (Common Courage press, Monroeville, ME, 1994) World Orders, Old and New, 62ff.; my "Democracy Restored," *Z Magazine*, Nov. 1994; NACLA, *Haiti, Dangerous Crossroads* (South End, Boston, 1995).

⁴³ "Democracy Restored," citing John Solomon, AP, Sept. 18, 1994 (lead story).

to keep the basic story under wraps. If the plans outlined in draft texts are implemented, the whole world may be “locked into” treaty arrangements that provide Transnational Corporations with still more powerful weapons to restrict the arena of democratic politics, leaving policy largely in the hands of huge private tyrannies that have ample means of market interference as well. The efforts may be blocked at the W.T.O. because of the strong protests of the “developing countries,” notably India and Malaysia, which are not eager to become wholly-owned subsidiaries of great foreign enterprises. But the OECD version may fare better, to be presented to the rest of the world as a *fait accompli*, with the obvious consequences. All of this proceeds in impressive secrecy, so far.⁴⁰

The announcement of the Clinton Doctrine was accompanied by a prize example to illustrate the victorious principles: What the Administration had achieved in Haiti. Since this is again offered as the strongest case, it would only be appropriate to look at it.

True, Haiti’s elected President was allowed to return, but only after the popular organizations had been subjected to three years of terror by forces that retained close connections to Washington throughout; the Clinton Administration still refuses to turn over to Haiti 160,000 pages of documents on state terror seized by U.S. military forces – “to avoid embarrassing revelations” about U.S. government involvement with the coup regime, according to Human Rights Watch.⁴¹

⁴⁰ OECD, *Multilateral Agreement on Investment: Consolidated Texts and Commentary* (OLIS 9 Jan., 1997; DAF/MAI/97; Confidential). Scott Nova and Michelle Sforza-Roderick of Preamble Center for Public Policy, Washington, “M.I.A. Culpa” *The Nation*, Jan. 13; Martin Khor, “Trade and Investment: Fighting over Investors’ rights at W.T.O.,” *Third World Economics* (Penang) Feb. 15; Laura Eggerston, “Treaty to trim Ottawa’s power,” *Toronto Globe and Mail*, April 3; Paula Green, “Global giants: Fears of the supranational,” *J. of Commerce* (Canada), April 23; George Monbiot, “A charter to let loose the multinationals,” *Guardian* (UK), April 15, 1997.

⁴¹ Kenneth Roth, Executive Director, HRW, Letter, *NYT*, April, 12, 1997.

the strangulation of the Cuban economy. More interesting is the thesis that the U.S. has every right to overthrow another government, in this case, by aggression, large-scale terror over many years, and economic strangulation. Accordingly, international law and trade agreements are irrelevant. The fundamental principles of world order that have emerged victorious again resound, loud and clear.

The Clinton Administration declarations passed without challenge, though they were criticized on narrower grounds by historian Arthur Schlesinger. Writing “as one involved in the Kennedy Administration’s Cuban policy,” Schlesinger maintained that the Clinton Administration had misunderstood Kennedy’s policies. The concern had been Cuba’s “troublemaking in the hemisphere” and “the Soviet connection,” Schlesinger explained.³³ But these are now behind us, so the Clinton policies are an anachronism, though otherwise unobjectionable, so we are to conclude.

Schlesinger did not explain the meaning of the phrases “troublemaking in the hemisphere” and “the Soviet connection,” but he has elsewhere, in secret. Reporting to incoming President Kennedy on the conclusions of a Latin American Mission in early 1961, Schlesinger spelled out the problem of Castro’s “troublemaking” – what the Clinton Administration calls Cuba’s effort “to destabilize large parts of Latin America:” it is “the spread of the Castro idea of taking matters into one’s own hands,” a serious problem, Schlesinger added, when “The distribution of land and other forms of national wealth greatly favors the propertied classes...[and] The poor and underprivileged, stimulated by the example of the Cuban revolution, are now demanding opportunities for a decent living.” Schlesinger also explained the threat of the “Soviet connection”: “Meanwhile, the Soviet Union hovers in the wings, flourishing large development loans and presenting

³³ Letter, *NYT*, Feb. 26, 1997.

itself as the model for achieving modernization in a single generation.”³⁴ The “Soviet connection” was perceived in a similar light far more broadly in Washington and London, from the origins of the Cold War 80 years ago.

With these (secret) explanations of Castro’s “destabilization” and “troublemaking in the hemisphere,” and of the “Soviet connection,” we come closer to an understanding of the reality of the Cold War, another important topic I will have to put aside. It should come as no surprise that basic policies persist with the Cold War a fading memory, just as they were carried out before the Bolshevik revolution: the brutal and destructive invasion of Haiti and the Dominican Republic, to mention just one illustration of “global meliorism” under the banner of “Wilsonian idealism.”

It should be added that the policy of overthrowing the government of Cuba antedates the Kennedy Administration. Castro took power in January 1959. By June, the Eisenhower Administration had determined that his government must be overthrown. Terrorist attacks from U.S. bases began shortly after. The formal decision to overthrow Castro in favor of a regime “more devoted to the true interests of the Cuban people and more acceptable to the U.S.” was taken in secret in March 1960, with the addendum that the operation must be carried out “in such a manner as to avoid any appearance of U.S. intervention,” because of the expected reaction in Latin America and the need to ease the burden on doctrinal managers at home. At the time, the “Soviet connection” and “troublemaking in the hemisphere” were nil, apart from the Schlesingerian version. The CIA estimated that the Castro government enjoyed popular support (the Clinton Administration has similar evidence today). The Kennedy Administration also recognized that its efforts violated international law and the Charters of the UN

³⁴ *Foreign Relations of the United States, 1961–63*, vol. XII, American Republics, 13f., 33.

Development Workshop in Washington in September 1990. It concluded that relations with the brutal Mexican dictatorship were fine, though there was a potential problem: “a ‘democracy opening’ in Mexico could test the special relationship by bringing into office a government more interested in challenging the US on economic and nationalist grounds”³⁹ – no longer a serious problem now that Mexico is “locked into the reforms” by treaty. The U.S. has the power to disregard treaty obligations at will; not Mexico.

In brief, the threat is democracy, at home and abroad, as the chosen example again illustrates. Democracy is permissible, even welcome, but again, as judged by outcome, not process. NAFTA was considered to be an effective device to diminish the threat of democracy. It was implemented at home by effective subversion of the democratic process, and in Mexico by force, again over vain public protest. The results are now presented as a hopeful instrument to bring American-style democracy to benighted Mexicans. A cynical observer aware of the facts might agree.

Once again, the chosen illustrations of the triumph of democracy are natural ones, and are interesting and revealing as well, though not quite in the intended manner.

Markets are always a social construction, and in the specific form being crafted by current social policy they should serve to restrict functioning democracy, as in the case of NAFTA, the W.T.O. agreements, and other instruments that may lie ahead. One case that merits close attention is the Multilateral Agreement on Investment (MAI) that is now being forged by the OECD, the rich men’s club, and the W.T.O. (where it is the MIA). The apparent hope is that the agreement will be adopted without public awareness, as was the initial intention for NAFTA, not quite achieved, though the “information system” managed

³⁹ Levinson, *Foreign Affairs*, March/April 1996. Workshop, Sept. 26 & 27, 1990, Minutes, 3.

as high in more mobile industries (e.g., manufacturing vs. construction).

These and other practices reported in the study are illegal, but that is a technicality, on a par with violations of international law and trade agreements when outcomes are unacceptable. The Reagan Administration had made it clear to the business world that their illegal anti-union activities would not be hampered by the criminal state, and successors have kept to this stand. There has been a substantial effect on destruction of unions – or in more polite words, “changes in labor market institutions and practices” that contribute to “significant wage restraint” within an economic model offered with great pride to a backward world that has not yet grasped the victorious principles that are to lead the way to freedom and justice.³⁸

What was reported all along outside the mainstream about the goals of NAFTA is also now quietly conceded: the real goal was to “lock Mexico in” to the “reforms” that had made it an “economic miracle,” in the technical sense of this term: a “miracle” for U.S. investors and the Mexican rich, while the population sank into misery. The Clinton Administration “forgot that the underlying purpose of NAFTA was not to promote trade but to cement Mexico’s economic reforms,” Newsweek correspondent Marc Levinson loftily declares, failing only to add that the contrary was loudly proclaimed to ensure the passage of NAFTA while critics who pointed out this “underlying purpose” were efficiently excluded from the free market of ideas by its owners. Perhaps some day the reasons will be conceded too. “Locking Mexico in” to these reforms, it was hoped, would deflect the danger detected by a Latin America Strategy

³⁸ Editorial, “Class War in the USA,” *Multinational Monitor*, March 1997. Bronfenbrenner, “We’ll Close,” *ibid.*, based on the study she directed: “Final Report: The Effects of Plant Closing or Threat of Plant Closing on the Right of Workers to Organize.” The massive impact of Reaganite criminality is detailed in a report in *Business Week*, “The Workplace: Why America Needs Unions, but not the Kind it Has Now,” May 23, 1994.

and OAS, but such issues were dismissed without discussion, the declassified record reveals.³⁵

Let us move on to NAFTA, the “historic” agreement that may help to advance U.S.-style democracy in Mexico, Lakoff suggests. A closer look is again informative. The NAFTA agreement was rammed through Congress over strenuous popular opposition but with overwhelming support from the business world and the media, which were full of joyous promises of benefits for all concerned, also confidently predicted by the U.S. International Trade Commission and leading economists equipped with the most up-to-date models (which had just failed miserably to predict the deleterious consequences of the U.S.-Canada Free Trade Agreement, but were somehow going to work in this case). Completely suppressed was the careful analysis by the Office of Technology Assessment (the research bureau of Congress), which concluded that the planned version of NAFTA would harm most of the population of North America, proposing modifications that could render the agreement beneficial beyond small circles of investment and finance. Still more instructive was the suppression of the official position of the U.S. labor movement, presented in a similar analysis. Meanwhile labor was bitterly condemned for its “backward, unenlightened” perspective and “crude threatening tactics,” motivated by “fear of change and fear of foreigners”; I am again sampling only from the far left of the spectrum, in this case, Anthony Lewis. The charges were demonstrably false, but they were the only word that reached the public in this inspiring exercise of democracy. Further

³⁵ Piero Gleijeses, “Ships in the Night: The CIA, the White House and the Bay of Pigs,” *J. of Latin American Studies* vol.27, part 1 (Feb. 1995), 1–42. Jules Benjamin, *The United States and the Origins of the Cuban Revolution* (Princeton Univ. Press, Princeton, 1990), 186ff. On recent polls by a Gallup affiliate, see *Miami Herald* Spanish edition, Dec. 18, 1994; Maria Lopez Vigil, *Envío* (Jesuit Univ. of Central America, Managua), June 1995 (reviewed in my “Passion for Free Markets,” *Z Magazine*, May 1997).

details are most illuminating, and reviewed in the dissident literature at the time and since, but kept from the public eye, and unlikely to enter approved history.³⁶

By now, the tales about the wonders of NAFTA have quietly been shelved, as the facts have been coming in. One hears no more about the hundreds of thousands of new jobs and other great benefits in store for the people of the three countries. These good tidings have been replaced by the “distinctly benign economic viewpoint” – the “experts’ view” – that NAFTA had no significant effects. The *Wall Street Journal* reports that “Administration officials feel frustrated by their inability to convince voters that the threat doesn’t hurt them” and that job loss is “much less than predicted by Ross Perot,” who was allowed into mainstream discussion (unlike the OTA, the Labor movement, economists who didn’t echo the Party Line, and of course dissident analysts) because his claims were sometimes extreme and easily ridiculed. “It’s hard to fight the critics’ by telling the truth – that the trade pact ‘hasn’t really done anything’,” an administration official observes sadly. Forgotten is what “the truth” was going to be when the impressive exercise in democracy was roaring full steam ahead.³⁷

³⁶ See *World Orders, Old and New*, 131ff. On the predictions and the outcome, see economist Melvin Burke, “NAFTA Integration: Unproductive Finance and Real Unemployment,” *Proceedings from the Eighth Annual Labor Segmentation Conference*, April 1995, sponsored by Notre Dame and Indiana Universities. Also, *Social Dimensions of North American Economic Integration*, report prepared for the Department of Human Resources Development by the Canadian Labour Congress, 1996. On World Bank predictions for Africa, see Mihevc, *op. cit.*, also reviewing the grim effects of consistent failure – grim for the population, that is, not for the Bank’s actual constituency. That the record of prediction is poor, and understanding meager, is well-known to professional economists. See, e.g., “Cycles of conventional wisdom on economic development,” *International Affairs* 71.4, Oct. 1995. He is, however, a bit selective in exempting professional economists from his withering censure.

³⁷ Helene Cooper, “Experts’ View of NAFTA’s Economic Impact: It’s a Wash,” *Wall Street Journal*, June 17, 1997.

While the experts have downgraded NAFTA to “no significant effects,” dispatching the earlier “experts’ view” to the memory hole, a less than “distinctly benign economic viewpoint” comes into focus if the “national interest” is widened in scope to include the general population. Testifying before the Senate Banking Committee in February 1997, Federal Reserve Board Chair Alan Greenspan was highly optimistic about “sustainable economic expansion” thanks to “atypical restraint on compensation increases [which] appears to be mainly the consequence of greater worker insecurity” – an obvious desideratum for a just society. The February 1997 Economic Report of the President, taking pride in the Administration’s achievements, refers more obliquely to “changes in labor market institutions and practices” as a factor in the “significant wage restraint” that bolsters the health of the economy.

One reason for these benign changes is spelled out in a study commissioned by the NAFTA Labor Secretariat “on the effects of the sudden closing of the plant on the principle of freedom of association and the right of workers to organize in the three countries.” The study was carried out under NAFTA rules in response to a complaint by telecommunications workers on illegal labor practices by Sprint. The complaint was upheld by the U.S. National Labor Relations Board, which ordered trivial penalties after years of delay, the standard procedure. The NAFTA study, by Cornell University Labor economist Kate Bronfenbrenner, has been authorized for release by Canada and Mexico, but not by the Clinton Administration. It reveals a significant impact of NAFTA on strike-breaking. About half of union organizing efforts are disrupted by employer threats to transfer production abroad; for example, by placing signs reading “Mexico Transfer Job” in front of a plant where there is an organizing drive. The threats are not idle: when such organizing drives nevertheless succeed, employers close the plant in whole or in part at triple the pre-NAFTA rate (about 15% of the time). Plant-closing threats are almost twice