

Who's World Order? Conflicting Visions of the Global Boom

By Noam Chomsky

Renowned scholar and political activist Noam Chomsky spoke September 22, 1998 to a crowd of about 3,400 at the Jack Simpson Gymnasium on the University of Calgary campus. The following was transcribed from a cassette recording of the event, by Greg Harris of the University of Calgary's Communications Office. Chomsky, a master of the subordinate clause, often manages to keep several ideas aloft in the same sentence; although highly interesting, his parenthetical speaking style can occasionally challenge the transcriber's skill in deploying punctuation. False starts, ums, wells, and you knows have usually been edited out.

...Let's proceed to the international economic order--the Bretton Woods system, as it's called, and its institutions. That's all over the front pages now with the fears of a global meltdown that might affect privileged folk like us, as well as just the usual victims, so therefore it's news.

The Bretton Woods system set up institutions like the World Bank and the IMF, which are called the Bretton Woods institutions--but it had two basic principles which one has to keep in mind, they're important. One principle was to liberalize trade; its goal was to liberalize trade, more free trade. The second principle had to do with capital flow and it was the opposite. The goal was to regulate capital flow and control it--keep fixed exchange rates, keep capital controls and so on. That was agreed by both the U.S. and the British negotiators--the U.S. main negotiator was Harry Dexter White; the British, John Maynard Keynes--and it expressed a very common conception at the time, which has a lot of plausibility. It's built into the rules of the IMF. There is now an effort, the U.S. is leading an effort, to try to change those rules, but up until now they have been breached many times. The rules of the IMF still authorize countries to regulate capital flow and they prohibit the IMF from giving credits to cover capital flight. Many of you who follow these affairs all know how well that one's been observed, but anyhow it is a rule.

There was thinking behind this. The reasons were in part theory, what some international economists call an incompatibility thesis, which in fact remains the guiding principle of UNCTAD, the main UN Conference on Trade and Development. The theory is that capital flight, short-term speculative flows which lead to exchange rate fluctuations and so on, that they are going to undermine trade and investment, so they are inconsistent with one another. You can't liberalize both; and recent experience is, I think, consistent with that assumption.

The second reason was not a theory. It was a truism. The truism is that free flow of capital definitely undermines democracy in the welfare state, which was at that time far too popular to ignore (it's the mid-20th century). The basic point (I'm essentially paraphrasing White and Keynes here) is that capital controls allow governments to carry out monetary and tax policies to sustain unemployment incomes, social programs, maintain public goods, without fear of capital flight, which will punish this irrational behavior (irrational in that it's only for the benefit of people, not for the benefit of investors and speculators, and it will be punished by capital flight for obvious reasons). That's the essential point--the free flow of capital quickly creates what some international economists call a virtual senate of financial capital which will impose its own social policies by the threat of capital flight, which leads to higher interest rates, economic slowdowns, budget cuts for health and education, recession, maybe collapse. It's a powerful weapon.

All of that was articulated quite explicitly, in essentially in the words I've repeated, at the time by the U.S.-U.K. negotiators, and it's not particularly controversial. (In fact it's not controversial at all, then

or now. If you think it through it's kind of obvious, as it was to them.) And all of that is quite important to keep in mind in looking at the current period because there's a challenge to that in the last 25 years and we see the consequences. (And it's now being re-evaluated because the consequences are even hitting the rich people and that's where we are now.)

Well, the Bretton Woods system as formulated, that is, its efforts to liberalize trade and regulate capital, were in place to a substantial degree through the first half of this period, the first quarter century after it was established. That's what's sometimes called the golden age of postwar state capitalism--high rates of growth of the economy, of productivity, expansion of the social contract right through the '50s and '60s.

The system was dismantled from the early 1970s. Richard Nixon unilaterally abrogated its basic principles; other major financial centers joined in. By the 1980s capital controls were mostly gone in the rich countries and the smaller economies like South Korea were simply compelled to drop them. That, incidentally, is widely regarded now as a major factor in its recent collapse, alongside of quite extreme market failures in the private sector throughout East and Southeast Asia and of also the west, which was involved in crazed lending.

I should add at this point that, in the light of the recent economic crisis in East Asia, the more serious analysts recognize and insist that the East Asian economic miracle was quite real. (I'm distinguishing East Asia from Southeast Asia here--they're quite different.) So one of the most important and influential, and I think intelligent, Joseph Stiglitz, who is now the chief economist of the World Bank (he was formerly head of the council of economic advisors here, and it plays a very important role) he emphasizes in recent World Bank publications and elsewhere that this is post-crisis--that the East Asian economic miracle was not only real but it was in his words an amazing achievement historically without precedent and, furthermore, he points out, based on very significant departures from the official doctrines of the so-called Washington consensus and that it should last, it should thrive, in fact, unless it is destroyed by irrational markets as it could be. Stiglitz points out -in a World Bank publication--remember this is the chief economist of the World Bank I'm talking about--that in East Asia the basis for the amazing achievements and the miracle, which has no precedent, is that governments took major responsibility for the promotion of economic growth, abandoning the religion that markets know best, and intervening to enhance technology transfer, relative equality, education, health, along with (he doesn't stress this but he should have) industrial planning and coordination, and in fact strict capital controls until they were forced to relinquish them in the last few years. Stiglitz also mentions, though he doesn't go into it, that the rich countries, every one of them--from England on through the United States up to the present, every single one of them had followed a somewhat similar path, actually far more so than the World Bank has yet acknowledged. It's another big topic I can't go into, but an interesting one and again worth keeping in mind.

What has happened since the Bretton Woods system essentially collapsed in the early 1970s? It did end the golden age of postwar state capitalism. Just focusing on the rich countries, primarily the United States and Britain, although it happens to others in various degrees in an integrated economy, over the rich countries as a whole, the growth of the economy and the growth of productivity have slowed very markedly. Actually, contrary to what you read, trade also slowed, if you look closely, in the United States specifically and England. Incomes stagnated or declined throughout this period for the great majority of the population; working conditions deteriorated, social services have been significantly cut, the infrastructure is in serious danger with very little required public spending, the welfare state has significantly eroded.

There has also been a closely correlated, dramatic increase in incarceration. It's closely correlated because a large part of the society is just becoming superfluous for wealth formation. In an uncivilized society you send out the death squads to kill them; in a civilized society you throw them in jail. Since 1980, when this system really took shape, when it was in place, at that time incarceration rates in the United States were roughly like that of other industrial countries, kind of at the high end but not off the scale, and so crime rates in the United States are not unusually high, contrary to what you read. Again they're sort of toward the high end but not unusual, with one exception: namely, killing with guns. But that's a separate matter that has to do with laws, cultural patterns and so on; it doesn't have anything to do with crime.

And that remains the case. In fact, crime rates have declined since 1980, but the incarceration has gone way up. I think it's a direct reflection of the inequality and the need for social control. It tripled in the 1980s and it's been rising very fast through the 1990s; it's now five to 10 times as high as other industrial societies. In fact the U.S. is a world champion in imprisoning its population, at least among countries where there is any minimally reliable statistics. If you take the prison population into account, which adds another 3 per cent to the unemployment rate, which places the U.S. squarely in the middle of the European level. Actually, even without that it's not at the bottom, believe it or not, it's about 30 per cent. Of course, you have to decide what you're talking about; if you count in prison labor, which is not trivial, and very good for folks like Boeing Aircraft and AT & T and others (a terrific work force), if you count them in, then of course the unemployment figures change again. Anyhow these two parallel developments have been going on and I think have integrated.

Throughout the same period profits have soared, particularly in the 1990s. The current jitters on Wall Street have to do with the concern that there may be an end to what for the last couple of years the business press has been calling this stupendous and dazzling and extraordinary growth of profits. They've run out of adjectives and they may now be worried that the facts are ending too.

There has been an astronomical increase in capital flows, a huge increase, mostly very short term. About 80 per cent now is estimated to have a round trip--it goes out and back, in a period of a week or less, often hours or even minutes. That means it's virtually unrelated to the real economy, to trade and investment. In fact, current estimates are that about 5 per cent of the roughly trillion-and-a-half-dollars per day capital flow is related to the real economy. The rest is speculative.

If you go back to 1970, the figures were essentially reversed. It was about 90 per cent of a much smaller sum was related to the real economy and maybe 10 per cent was speculative. It's also based very heavily on extensive borrowing; it's highly leveraged, in the jargon. This high borrowing is something new, incidentally (a lot of things are old but this is new), that's accelerating the irrationality of financial markets. They've become much more volatile and unpredictable; there have been wildly fluctuating exchange rates related to speculative flows and there have been increasing financial crises. The IMF recently did a study of the period 1980-1995, a 15-year period, and it found that about 80 per cent of its roughly 180 members had had one or more banking crises, ranging from significant to quite serious. Again, that wouldn't have surprised Keynes and White, or any of the framers of Bretton Woods, or the economists' thinking behind them.

In the same period, again in conformity with their thinking, there has been an assault, an attack on free markets, a sustained assault on free markets, to quote the head of economic research of the World Trade Organization, in a major technical study. That assault was led by the Reaganites. They were talking free markets for the poor but doing something else for the rich. This analyst, Patrick Low, estimates the effect of Reaganite protectionist measures at about three times as high as those of the other industrial countries which were bad enough. Well again, that's what was expected. During

the Reagan years, lots of lofty rhetoric but protection was virtually doubled. The public subsidy, which is another violation of free trade principle, was increased, bailouts increased, both for domestic banks and international banks.

In the United States--it's happened throughout the world but mostly in the United States--in the United States the goal was to somehow overcome very serious management failures that were leading to a decline of U.S. industry and were a matter of great concern at the time. Those of you who read the business press remember a lot of discussion and concern about the need to reindustrialize America. American industry was collapsing, mostly because of management failures. The Pentagon was called in to fill its traditional role to do something about this problem. (That's actually a role that goes back to the early 19th century before there was a Pentagon.) The Pentagon was called in to develop a program under Carter which was greatly extended under Reagan, to design what was called the factory of the future, based on lean production and automation and other developments in which the American management had fallen way behind and then to hand it over to industry as a gift. The purpose was to save central components of the industrial system from mainly Japanese competition, which was wiping it out, and to place them in a position to dominate the emerging technologies and markets of the next era. The Internet and information technology, generally, are rather dramatic examples of this but not the only one.

All of this continues under Clinton, alongside the free market rhetoric. Radical interference with free trade is standard when convenient. And it's across the spectrum. So Mexican tomatoes were effectively barred from the U.S. market, as was openly stated, because U.S. consumers prefer them and they were undercutting Florida growers, sort of at the other end of the trading spectrum. High tariffs were a couple of months ago introduced on Japanese supercomputers to protect U.S. manufacturers like Cray Enterprises, which is called private enterprise I guess because the profits are privatized. (The markets are public and much of the technology and funding is public as well but the profits are private.)

If you want to see the real meaning of free trade and neo-liberalism in its cruelest form, just take a look at the relation between the richest and the poorest countries of the hemisphere--the United States and Haiti. Haiti was forced to liberalize radically as a condition on terminating the terror and torture of the coup regime, which was pretty awful--I was there at the time, but you didn't have to be there to know it. The cost of liberalization is quite severe. One effect is that Haitian rice production, one of their few potential economic strengths, has been seriously harmed and virtually destroyed because it is now competing with US agribusiness, which is crazy to begin with, and even crazier when you recognize that 40 per cent of its profits come from government subsidies, thanks to Reaganite contributions to free trade.

Recently, the United States has started dumping chicken parts in Haiti, undermining another sector. The reason is that American consumers don't like dark meat, so the producers, these big factory farms, have a lot of extra dark meat, so why not dump it on Haiti? We're to wipe out one of the few hopeful enterprises that had developed there. They can't dump it on Canada because Canada has huge tariffs to block that kind of behavior. Haitian tariffs are forced to be, I think, roughly one-fiftieth of what Canada's are, same with the Dominican Republic and Jamaica, but Haiti has to liberalize.

Just within the last few days, U.S. steel manufacturers have been demanding that the U.S. government force Japan and Russia to cut back steel imports into the United States; they are particularly worried about Japan because it's high quality steel, which is undercutting them. And probably they will. The U.S. has instruments to do that. Super 301 it's called: you threaten to close off the market to a country and if they don't do it you tell them. And of course Haiti, since it's a free and

equal world, Haiti has the same instrument: they could object to U.S. dumping of chicken parts by threatening to close off Haitian markets to U.S. exporters, just as the U.S. can do, so it's all free and equal. Well, that's free trade.

Without going on with that, for the Third World generally, given the relations of force, the post-Bretton Woods era, the last 25 years, has been pretty much a disaster. Some have escaped, mainly by not playing by the rules the way the rich countries have done. Russia is a dramatic example since it returned itself to the traditional Third World role about 10 years ago.

Well, there's a standard picture about all of this for the United States. The standard picture is that the United States has a fairy tale economy, that Americans are smug and prosperous in the happy glow of the American boom, there's a fat and happy America enjoying one of the healthiest booms in American history--these are all quotes from front page headlines in the New York times, fairly typical. They all give an example, the same example, up until this summer at least; the example was the stock market, and it indeed is a fairy tale, especially for the top one per cent of households who own about half the stock and other assets, and to some extent for the 10 per cent who own most of the rest.

Well, what about the next 10 per cent, you know the 80th to the 90th percentile, right below the top 10 per cent? What about them? Well for them their net worth has declined in the 1990s for the reason that debt, which is enormous, has increased faster than the growth of stock and other assets. And it just gets worse as you go down. Eighty per cent of families work a lot more hours just to keep from losing even more ground; they have not yet recovered the levels of 1989, let alone (that's the comparable stage of the last business cycle), let alone 1973--that's when the new economy really began to take hold.

All of this is without precedent in American history. It's never happened before. It's the first time that during an economic recovery that these were the consequences: you can't even catch up to where you began for a large majority of the population. As far as economic growth is concerned during this fairy tale boom, it's roughly at the average for the OECD, the rich countries; as far as growth of per capita income is concerned, it's below the OECD average--it's actually roughly like the anemic '70s and '80s and nowhere near the golden age.

But it's a fairy tale for some and those are the ones who tell us about it. Those are the Americans who are smug and happy. The rest are some other thing.

The reason for the fairy tale is in fact frankly explained, for example by Allan Greenspan, Fed chair. He attributes it to what he calls significant wage restraint and greater worker insecurity. The Clinton administration in its economic report attributes it to salutary changes in labor market institutions, which is a delicate way of saying the same thing. The business world agrees. If you look at the business press, they point out that workers are too intimidated to seek some share in the good times. Just this week Business Week reported studies showing that 60 per cent of workers are very concerned about job security for working people and 30 per cent are somewhat concerned. When 90 per cent of the work force are insecure, that helps keep profits up and inflation low enough to please the financial institutions, so it's a fairy tale economy.

Well, there are a lot of reasons for this. One reason is simply the threat of job transfer if people raise their heads; another is the destruction of unions, which really took off during the Reagan years by straight corporate crime which was authorized by the Reagan administration--again the business press has been clear and frank about this.

These are specific social and economic policies designed to keep things this way; that includes the investor rights agreements. That's a long story in itself, as you should know, or if you don't you should quickly find out. The OECD and the rich countries, are seeking to ram through the Multilateral Agreement on Investments, the sort of super investor rights agreement, in October. (You ought to know it because Canada has been unique in that there has been substantial public opposition to this.) They're planning to do it in October, in secret if they can; they've been trying to do it in secret for a long time. They failed last April and that caused near panic in business circles--it's worth looking at. The Financial Times in London, sort of the world's premier business daily, had an agonized article after they failed about what they called the horde of vigilantes who descended on the OECD countries and the corporate world were totally helpless in the face of this massive assault by Maude Barlow and such, and they had to collapse. You really have to read it to get a picture of the panic. It also quoted trade diplomats who warned that unless this crisis of democracy is overcome, I'm quoting now, it may become harder to do deals behind closed doors and submit them for rubber-stamping by parliaments, as in the good old days. Well, that tells you very clearly what it's all about. It's again the hazard facing the corporate sector-- the rising political power of the masses-- that's been frightening rich and powerful people ever since the first modern democratic upsurge in 17th century England.

Well, there's a ton more to say about this but it's getting late so let me just end. Question: Is this globalized economy really out of control? Well it's very hard to believe that. It's a large majority of the exchanges, the international exchanges, are within what's called the triad--North America, Europe and Japan. These are all areas that have parliamentary institutions, they don't have any fear of military coups, which means what's going on is in principle subject to public policy decisions and can be made in practice so as well. And well beyond that--that's all within existing institutions, assuming existing institutions don't change at all--but that's a pretty strong assumption. No one should have ever made it in the past, certainly, and there's no particular reason to believe that some magic moment has come.

In general, institutions are not self-legitimizing--they've got to legitimize themselves. We live in a world which is largely dominated by unaccountable private tyrannies and they have to justify themselves. They are not automatically self-justifying. When they were created in the United States by radical judicial activism early in this century, conservatives, (who used to exist, they don't any more except in name) bitterly condemned this change which they saw as a major attack on classical liberal ideas and fundamental theories of human rights. They condemned it actually as a form of communism and a return to feudalism, which was not totally inaccurate.

Anyhow, the institutions are not self-legitimizing. They are internally tyrannical, they are unaccountable to the public, they administer markets through their internal operations and through strategic alliances with alleged competitors, they are backed by powerful states which provide subsidies and risk protection and bailouts if needed, and so on. And there's a question as to whether those institutional arrangements are necessary and appropriate, a very serious question. It's entirely natural for the doctrinal institutions to try to direct the public attention somewhere else (in fact it would be astonishing if that were not true) to direct attention away from crucial issues and also to try to induce a general mood of hopelessness and despair--what Linda McQuaig in a recent book on Canada, a good book on Canada, calls the Cult of Impotence, she's describing how it works here--and to drive people toward individual survival strategies.

It makes a lot of sense to try to do all that. It's understandable and understanding it can be liberating, as always; it can liberate people to design and follow, if they choose, very different paths. These may well involve, and in my opinion should involve, dissolving centers of unaccountable power,

extending democratic arrangements well beyond to central parts of the society from which they are excluded, and may make it possible to address in a serious way the injustice and the needless suffering that deface contemporary life and to demonstrate that the human species is not a kind of lethal mutation which is destined to destroy itself and much else in a flick of an eye, from an evolutionary point of view. That is not a completely unlikely prospect, in my opinion, under prevailing conditions of social life.

Thanks.

A couple of microphones out there, I'm told, so anybody who wants to exploit their existence is free to do so. I see two, I don't know if there are any more.

Questioner: I feel sympathy with most of what you said. I wonder what suggestions you can make for action by individual citizens in the democratic countries to perhaps roll back some of the actions of which you talk?

Chomsky: What actions individual citizens should undertake?

Questioner: Yes.

Chomsky: Well, of course that depends on which issue you're concerned with. There's a wide range of things that can be done, they're maybe they're interrelated, but on some issues I think it's pretty clear, at least I think it's pretty clear, on what ought to be done and in fact not hard even, because it doesn't challenge the structure of institutions. So take, say, the MAI, which, as I say, if you're not familiar with it you ought to be, there's plenty of literature about it, especially in Canada. It's what was described by Business Week as the most explosive trade deal you've never heard of, and the whole headline, the whole description is accurate.

It is the most explosive trade deal that's ever been crafted. It gives extraordinary rights to corporations. They were given the rights of citizens early in this century, of people, you know, immortal people, super powerful immortal people, which is already an astonishing attack on traditional classical liberal ideals, and the MAI actually gives them the rights of states.

Canadians ought to know about this since Canada has just suffered from it. Canada was sued by a corporation, the Ethyl Corporation, for daring to try to ban a harmful gasoline additive which is banned in most of the world and theoretically not banned in the United States but not used because it's too dangerous. Canada tried to do the same, the Ethyl corporation sued them under provisions of NAFTA, which is extended in the MAI--it's really unclear what they mean, corporations are trying to press these to the limit. It's never been possible before for corporations to sue states, but these new arrangements intend to give them the rights of states.

They sued Canada for expropriation because it was taking away their enjoyment of their rights by banning this probably poisonous additive. Ethyl Corporation has got a nice record--it's a major corporation set up by Dupont and GM and all those big guys--its major contribution was leaded gasoline. They knew in the early 1920s that it was lethal but they kept it secret and they had good lawyers and they kept things from happening and for about 50 years it was used with horrendous effects. Finally it was banned, at least in the United States, around early '70s, but then it just goes off to the Third World where there's no controls so you can kill anybody you like.

That's the Ethyl Corporation and now they want to import-export MMT into Canada--I don't think they cared very much, frankly, it's a sort of a small item but I think they wanted to establish the point and they did. Canada backed down and paid some indemnity, 13 million dollars or something.

There's another case coming along by a hazardous waste disposal company in the United States and there will be more.

The idea is to give corporations not only the rights of super powerful immortal persons, which is questionable enough, but even of states, and to undermine democratic options that might be open to citizens--across the board; whether it's things like set-asides for minorities or supporting local enterprise or environmental labor rights, you sort of name it and it's there somewhere. I mean it's not put in those words, explicitly, but the intent is to develop a framework which smart lawyers will then fill in with precedents--that's the way it works.

So naturally it's got to be done in secret because they know people are going to hate it. And it was kept under a veil of secrecy--I'm borrowing the phrase from the former chief justice of the Australian high court when it finally got revealed there and he bitterly condemned it--it was kept under a veil of secrecy for literally three years of intense negotiations. Secrecy in a funny sense--the business world certainly knew about it and they were right in the middle of it and publishing monographs about it and so on. The press certainly knew about it but they weren't talking, in the United States Congress was kept in the dark, the public didn't know, it was pretty much the same throughout the industrial world, Canada was a unique exception.

Well, anyhow, that was beaten back last April partly because of unexpected public opposition and it's coming up again in October, so in a couple of weeks. And it'll go through if nobody makes a fuss, you know, with long-term effects. Well, OK, it's clear what to do about that, I think, at least--same thing that was done pretty effectively last time around, but more so next time. It'll come back in some other forum you know, like it'll be written into the conditions of the IMF or some secret forum.

There's a million things like this. We can list them from A-Z--that's what activism is about, trying to deal with those specific cases of threats to society, and justice, suffering, oppression, whatever it may be; all extremely important but short of a further step what about going beyond putting Band-Aids on the cancer? What about the nature of the institutions? Are they in fact legitimate? Well, that's a serious matter. You know you can't just issue proclamations. If you say the organization of society and its domination by unaccountable tyrannies, which is what it is, is improper and unjust, and I think it is, you have to consider what the alternatives are and how you move toward the alternatives, if you want to. And those are not trivial matters; they require organized popular movements which think things through, which debate, which act, which experiment, which try alternatives, which develop the seeds of the future in the present society, as Bakunin put it a long time ago. And that's a long-term project.

How do you do that? Well, the same way you got rid of kings and slavery and lots of other bad things through history. There's no magic formula. What you do depends on what the conditions are, where you are, what can be done. But I think it's possible to have a long-term vision about this, and it's in fact one that draws very much from our own tradition, you know, not any foreign borrowings and all that bad stuff.

So if you go back to, say, eastern Massachusetts in the mid-19th century where, without the dubious benefit of radical intellectuals, working class people were running their own newspapers, I mean artisans in Boston and young women coming off the farms who were working in the textile mills were called factory girls and so on, and they're interesting. They weren't claiming as we do, you know the radicals among us, that corporations have too many rights, they were claiming they don't have any rights. They were not asking them to be more benevolent. They were not asking for the dictators to be more benevolent, they were saying they had no right to be dictators. They were saying that those who

work in the mills should own them--simple, and the communities should run them, and so on. It's not an unusual position.

Wage labor in the United States, wage labor in the mid-19th century was considered not very different from chattel slavery. That goes way back into the classical liberal tradition, I should point out, so servants were not really considered people because they were working for somebody else. Abraham Lincoln, for example, it was his position. It was northern workers, that was sort of their banner in the civil war. The Republican Party, it was its official platform, you can even read about it in New York Times editorials. It's by no means an exotic doctrine; it makes a lot of sense. And it has very deep roots in the enlightenment and way back.

The same is true of inequality. I mean you go back to the origins of western political thought, and I literally mean the origins, Aristotle's Politics, it's based on the assumption that a democratic system cannot survive, cannot exist, except under conditions of relative equality. He gives good reasons for this. Nothing novel or exotic about this.

The same assumption was made by people like Adam Smith. If you read Adam Smith carefully and he was pre-capitalist, remember, and I believe, anticapitalist in spirit, but if you look at his argument for markets, it was a kind of a nuanced argument, he wasn't all that much in favor of them, contrary to what's claimed. But when you look at the argument for markets, it was based on a principle: the principle was that under conditions of perfect liberty, markets ought to lead to perfect equality; under somewhat impaired liberty, they'll lead to, somewhat, a degree of inequality. And equality was taken as an obvious desideratum, you know, a good thing. He wasn't thinking about democracies, he was thinking in other terms.

These are important ideas. They have to be revived, I think, brought back into our mode of thinking, our cultural tradition, the focus of our activism and the planning for how to change things. And it's no simple business. It wasn't easy to get rid of kings, either.

Questioner: Hello. Thank you for the insights and strength. I myself have, I'm sure along with a lot of other people, been sleeping through seasons' change and just now waking up to the urgent cry of and need for justice and equality and love and camaraderie in the world. With so many genocides and 38,000 children starving to death every day, I can't help, although I truly believe in my heart that we are in time and we can bring a heaven to earth, how do you feel about, well in terms that people can look at the Holocaust. Everyone can look at Nazis and the Holocaust and go, "Wow that's really wrong, that's a nightmare, no one should have to go through that," yet the same kind of genocide and dark forces are at work. How do you feel about humanity living in a perpetual holocaust?

Chomsky: It's our choice. First of all, this has been a pretty horrible century, one of the worst centuries of human history in terms of humanly created disasters and catastrophes, many of which but not all, but some of the worst of them, come from the peaks of western civilization. But in many other respects, it's a lot better than it was. I think if you look realistically over time, you know it's kind of hard to say when you see the ugliness around you, but if you look realistically over time, things are improving. Lots of things that were considered perfectly normal and natural say a century ago would be considered outlandishly outrageous today; nobody could even conceive of them. In fact that's even true of the last 20 or 30 years--for many of us our own lifetimes. Things have really changed a lot. And we know how they've changed--not by sitting around and talking about it.

So let's take the last 30 years. Compare Ronald Reagan and John F. Kennedy. Reagan tried, well, Reagan's advisors, he was probably sleeping, but his advisors basically used Kennedy as their model, more or less, you could just sort of see it in detail. As soon as the Reagan administration came in, it

tried to organize a major attack in Central America where all kind of things were going on that they didn't like, like the Catholic church was--there was no clash of civilizations then--the Catholic church was the main enemy. They really wanted to do in Central America what Kennedy had done in South Vietnam in 1961 and '62 when he basically attacked South Vietnam, you know, sent the U.S. Air Force to start bombing civilians, use napalm, drive people into concentration camps and so on. It was South Vietnam; that was the main target of the U.S. attack. Reagan tried to duplicate that, same mechanisms, same white papers, everything else.

It was a total collapse. After a couple of months of trying they had to back off and the reason is because enormous, unanticipated popular objections were coming from the church, from human rights groups, from everybody. And they had to back off because it was going to threaten other objectives. They actually called the press off and told them to stop the campaign. Kennedy didn't have to worry about that. When he sent the U.S. Air Force to bomb South Vietnam, it was known; you could read it in the New York Times, but nobody cared. In fact people cared so little that the whole era has disappeared from history. Try to find a textbook or even a scholarly book which talks about when the U.S. attacked South Vietnam--I mean we know when the Russians invaded Afghanistan, but we don't know when the U.S. attacked South Vietnam. In fact, ask educated people, your friends and teachers and so on, to see if they can give you the date of when that took place, and they won't even know what you're talking about.

There was no such event in official history. There was such an event in real history, but since nobody cared about it, and if the president wants to go bomb some other country, who cares, it kind of disappeared into the mist and what was left was the propaganda. Couldn't do that in the 1980s--in fact it was totally different. The popular reaction in the United States to the Central America wars was completely different from in the '60s and much more powerful, again contrary to what people say. So in the 1960s it never occurred to anybody to go live in a Vietnamese village because maybe that would cut back state terrorism by U.S. clients. Many, many people did that in the 1980s and people from the heartland, Midwest rural areas, actually conservative Christians, sometimes fundamentalist Christians. These are things that are completely unheard of in the 1960s.

And the same is true on a host of other issues. Think about women's rights, or respect for other cultures, or environmental issues and so on. They barely existed in the '60s. There was a big change in just 30 years and it's a much more civilized society in many ways. That's not to say that a lot of rotten things haven't been happening--they have. In fact a lot of the things that I've been describing in the last 25 years, in my opinion at least, are a pretty conscious reaction to that, an effort to stem the tide, and it's partly worked but not in attitudes. It hasn't worked there.

Well, all of that's important and it shows in a very brief moment what you can achieve, and a lot of it was led by young people, incidentally, so one should feel no limits on what could be achieved. And if you look over a longer stretch of history, yeah, that's true. So take what's maybe one of the most civilized countries in the world today, say Norway. Norway has very humane, by comparative standards, norms of behavior, like treatment of prisoners. But take a look at a book by one of the world's leading criminologists, Neil Christy, who I think is Norwegian. He reviews the history of incarceration in Norway, and he points out it went up pretty sharply in the early 19th--this is from memory, I might have the details wrong, but something like this--it went up pretty sharply in the early 19th century and he points out that the reason it went up is because the modes of punishment changed. So before that, if somebody robbed a store, what you did is you'd drive a stake through his hand. OK, so when you did that you didn't need jails, well, I mean you can't even talk about it now.

You go back not too far before that in England and people were being drawn and quartered. You don't have to go back very far in history to find things so outlandish you can't even conceive of them. In the 19th century, well-known medical researchers in the United States were carrying out experiments which make you think of Mengele; so a good deal of gynecological surgery was developed apparently by respected doctors who were experimenting on slave women and Irish women, who weren't considered much different. You know, repeated experiments until they figured out how to do it right and that sort of thing. That's inconceivable; nowadays that's Mengele, you know, but then it was maybe not very nice, but not all that crazy. I'm now talking about recent history, things do look bad but over time they improve and they don't improve mechanically; they improve by human will. Well, that's the answer.

Questioner: Among other things, when you were referring to initiatives that were used to promote trade liberalization you were talking about information technology, and I'm just kind of wondering if something I had heard was correct and that was with reference to the fact that it was considered an important part insofar it was used in facilitating and moving capital in terms of transactions, if that's clear enough, I hope.

Chomsky: I doubt it very much. There's good technical literature on the development of information technology and computers and the Internet and so on, and it doesn't look, from my reading at least and some experience with it, it doesn't look as if that was a major factor, although it was indeed used very fast for that.

The telecommunications revolution is a substantial part of what has led to this very radical change in the way speculative capital zooms around the world instantaneously, undermining currencies, distorting trade, and so on. Yes, that technology has certainly been used for that. So you can get the whole content of Wall Street resources and stick them in the Japanese stock market because they're 12 hours different, than using it all the time. You couldn't have round trips for capital movement of an hour or even a week if you didn't have fancy technology. You couldn't have all this highly leveraged lending with sophisticated derivatives and all that crazy business.

In fact a measure of it, if you want to see it at work, at MIT, you know, sort of a high class science and engineering school, where I teach, every year at graduation, corporate recruiters come around and pick up the smart guys who are getting their PhD. The last couple of years, I forget the exact number, but I think around 30 per cent, or something like that, of corporate recruiters are coming from Wall Street and they're going after math and physics students, students who know nothing about business and don't care about it but are smart and have mathematical sophistication and can go off to Wall Street and figure out complex ways to undermine economies and so on and so forth ...

If you're teaching music at MIT, you're getting paid by the system, basically, the rest is bookkeeping. And that's true since the 1940s and it was pretty conscious. So you go back to the business press in the 1940s and they made it very clear that high-tech industry, I'm quoting Fortune, cannot survive in a competitive free-enterprise economy, and Business Week added, government has to be the savior.

They were specifically talking about the aeronautical industry but the lesson was intended for high-tech generally, because they just need huge public subsidies. That's why the Internet was developed, to take a recent case, within the military system, since the 1960s, then taken over by the National Science Foundation, public, and just two or three years ago handed over to private corporations so that Bill Gates and so on can make money from it. Gates at least is honest about it. He attributes his success to the ability to embrace and enhance the ideas of others, usually ideas coming out of the public sector or funded by the public sector. And the same is true pretty much across the board. That's

the way the economy works. Take a look at any dynamic part of the economy and you find that it works that way.

Now of course it's applied and it's applied in ways which weren't anticipated, like when DRPA, the Defense Research Project Agency, which initiated the Internet and had most of the ideas and so on, when they were developing all this stuff, I presume they did not have in mind that sooner or later it would get in the hands of big corporations who would try to use it for a home shopping service to marginalize people and turn them into passive consumers and so on and so forth. I'm sure they didn't have that in mind, but yeah, surely that's what they will try to do. They certainly didn't have it in mind that it would be used to undermine the MAI by getting around the constraints of the media--it was used for that too. So things have all kinds of applications and consequences, but I think they're basically developed just because you need it for the technology.

Same reason why, when during that period of management failures, the defense department and military in the United States were called on to create the factory of the future. And that goes way back. What's called the American system of manufacturing, which sort of amazed the world in the mid-19th century, is based on replaceable parts and mass production-- all this kind of stuff. A lot of that came straight out of the Springfield armory. It was developed for military technology then adapted to production. It's hard to find anything in the modern economy that didn't more or less work like that. It's not always the military. That's what Stieglitz is talking about, chief economist of the World Bank, when he talks about the fact that the path that the East Asian miracle is following is not all that foreign to us, actually much more so than he recognizes, I think.