

Tug of War: Opposing views on the processes of globalization

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ABSTRACT

*The paper examines opposing views in two books on the processes and consequences of globalization: Thomas Friedman, *The World is Flat*, and Naomi Klein, *The Shock Doctrine*. Friedman argues that globalization brings huge advantages when market forces are freed from regulations. Klein argues that where neo-liberal policies have been imposed on struggling disaster. The authors agree that when markets are freed from external constraints trading prospers, but their analyses of the consequences are diametrically opposite. Friedman welcomes globalization as the dawn of a new era for mankind. Klein fears that globalization will lead to greater poverty and armed conflicts will inevitably follow. The authors agree on one point; that world-wide competition for raw materials and markets make military conflicts more likely in the future.*

Keywords: Disaster capitalism, free market economy, determinism, liberal policies

*"That's some catch, that Catch-22".
 "It's the best there is."
 Joseph Heller*

Globalization and its impacts on the world economy continue to provoke controversy. There's the unreservedly positive approach adopted by Thomas Friedman, whose argument will be examined in this paper. Then there are sceptical Keynesians, who, like Joseph Stiglitz, worry about 'making Globalization work' (Skidelsky, 2008). On the other side of the tug of war there are critics who wonder why anybody is concerned with globalization today (Rosenberg, 2005) or Claudia von Werlhof, who is convinced that mankind is doomed unless globalization is steered into quieter waters, and then there is Naomi Klein, the radical opponent –not of globalization, for like Friedman, she knows that it's here to stay – but of the tools used to impose privatisation on wavering economies around the globe.

This paper will examine the arguments used in two books: Thomas Friedman, (Friedman, 2004) as an unreconstructed determinist has written a glowing account of the impact of globalization on the world economy. Naomi Klein (Klein, 2007) has gathered materials to demonstrate the impact of what she calls 'shock therapy' on ailing economies in South America, Russia and the former satellites. South Africa and Iraq have also been subjected to pressure from the neo-liberal institutions to facilitate the establishment of competitive markets. Klein claims that the insistence of the World Bank on privatisation and liberalisation of markets in these countries in order to qualify for loans has led to increasing poverty and growing inequality. The judgements of the two authors on the processes and consequences of globalization are poles apart, but the two books give useful insights into the state of play in the disputes between left and right over the impact and significance of globalization.

Friedman presents a vision of the globalized economy as the beginning of a Golden Age that will bring prosperity to the whole planet, and enable underdeveloped countries to compete in world markets in ways never before possible. It is the culmination of human destiny. It's unstoppable and inevitable; it's completely beneficial. He made this point pithily in an earlier book, 'Quit the whining, globalization isn't a choice.' (Rosenberg, 2005: 51)

The World is Flat is a hard selling book. The essence of his argument is that globalization opens the window of opportunity to millions but that the United States must learn the lessons of what he calls the 'flattened world'. Klein argues that the globalization processes are powered by neo-liberal

policies which have the aim of radical reform of national economic and welfare systems and the imposition of a form of 'supercapitalism' that brings profits to investors, shareholders, banks, hedge funds and trans-national companies, and financial disaster to the peoples of the countries in which these policies are imposed. She believes that the United States has lost its credibility as a bastion of liberty and democracy and that a powerful and possibly militant anti-globalization movement may be able to prevent further disasters. Friedman claims that the anti-globalization movement has been hi-jacked by radicals, presumably with convictions similar to Klein's: thoughtful critics have been sidelined by a militant minority, and the original aim of the critics - to make globalization work better - has been superseded by blanket criticisms and utopian proposals that could strangle the whole process.

According to the World Bank definition, globalization is the accelerating process of integration in the world economy. Some critics claim that there is no longer any clear definition of globalisation but even so, the term still arouses strong emotions in supporters and opponents (Rosenberg, 2004). There are growing criticisms of the effects of globalization in the leading industrialised nations, where competition and innovation have destroyed whole industries, bankrupted firms and impoverished communities (Judt, 2007). Others point to the advantages accruing to the rich countries through globalization and predict that their economies are stable enough to overcome further crises (Skidelsky, 2008).

Friedman and Klein do not examine the causes of the recent wave of anxiety that has upset the world economy since 2001, and which was intensified by the recent alarms and excursions in the global financial networks. This paper will suggest that the popular market theories, which postulate prices determined by the 'invisible hand', are not adequate to explain economic processes in the real world and have outlived their usefulness as analogies for market activity. Klein has produced a great deal of evidence to support this proposition - Friedman's book demonstrates by omission the weaknesses of liberalised economies. 'Perfect competition' is as rare as perfection itself and global players do everything in their power to prevent its formation.

Joseph Heller (1967) created in *Catch 22* a unique version of the workings of global markets. He created a scenario in which the markets are in the hands of a few manipulators who create the *illusion* of the free market in which buyers and sellers are all honest, price is the decisive factor and trading

takes place on a safe playing field in a game for which the rules are universally known and accepted.

Friedman describes himself as a 'technological determinist'. He is convinced that technological changes invariably benefit humanity. Of course, there are many examples that Friedman can cite to support his proposition, which is universally accepted anyway – the wheel, movable print, the steam engine, and so on, but he simply ignores the negative impacts of technological change – at this point his cheerleader's optimism probably awakens doubts among his readers.

He explains how he came to see the world as 'flat' and continues with a discourse on ten developments that led to what he terms 'Globalization 3' and which in his view, have turned the world into a 'flat playing field'. The image makes some sense if you are familiar with the kinds of field sports that are popular in the United States, but it is also brings to mind the vision of the world that existed in Europe before 1500, when its peoples were locked in ignorance of the true dimensions of the planet. The doctrine of the Catholic Church was that the earth was flat and was at the centre of the universe; it took the voyages of Da Gama, Magellan and Columbus to show that this was false. Friedman's image falls rather flat as a result, but it is probably the concept of trade as a game played between two equal sides that most appeals to the author, but it is very doubtful if the metaphor adds to our understanding of the workings of globalization.

He writes fulsomely on the advantages that globalization brings. The world has reached *"a new milestone in human progress . . . [and we are at the beginning of] an amazing era of prosperity, innovation and collaboration by companies, communities and individuals."* We are moving from a 'primarily vertical command and control – system for creating value to a more horizontal – connect and collaborate- value-creation model' (Friedman, 2006; 7). This will lead to profound changes in the ways that we earn our living, in our values and our futures. The cumulative effect *"will be seen in time as one of the fundamental shifts . . . like Gutenberg's invention of the printing press, the rise of the nation state or the Industrial Revolution"*. 'Primary questions' that 'every person now must and can ask': *"Where do I as an individual fit into the global competition and opportunities of the day and how can I, on my own, collaborate with others globally"* (Friedman, 2006: 10). It seems churlish to pick holes in this litany of praise, but he simply ignores the impact of globalised capitalism on the structures of the developing world, and he pays lip service to the fundamental changes that have taken place in production and distribution processes in the developed world since 1990. Friedman also ignores the growing risks to the world economy posed by international cartels, trusts that make and lose

billions of dollars from windy deals in fictitious stocks and bonds the intricacies of which are grasped by a handful of master mathematicians¹.

The first of Friedman's 'flatteners' resulted from the breaching of the Berlin Wall on 9 November 1989. This one event, he writes, "*tipped the balance of power across the world towards those advocating democratic, consensual, free-market- oriented governance, and away from those advocating authoritarian rule with centrally-planned economies.*" (Friedman, 2006: 51). It wasn't the *event* that tipped the balance of power, of course, but that doesn't bother Friedman; it was the implosion of the Soviet system in which the Berlin Wall served as a dam that held back reforms of any kind. He goes on; Communism was a system for making the people "equally poor", whereas Capitalism makes people "unequally rich" – a curious euphemism this, when latter-day capitalism makes a few billionaires while millions in developing countries have to struggle to survive. (The costs of several basic foodstuffs such as rice and corn have risen by as much as 60% in the past year. A Neo-liberal would probably justify the use of foodstuffs as fuel as evidence of 'flatness' of the competitive world market.)

The transformations that followed on the collapse of centrally-directed economies resulted in many improvements for the peoples in Eastern Europe, but Friedman pays no attention to the negative impacts of those transformations; the eradication of complete industries, the plight of older workers unable to find a job, the pensioners, paid a derisory pension, the handicapped who became the passive recipients of microscopic transfer payments from the liberal administrations, falling over themselves to fulfil the requirements of the IMF.

Friedman, as a determinist, sees no inconsistencies or conflicts in a world governed by neo-liberal economic rules. For Friedman, man is *homo oeconomicus*, whose aims in life are to buy new gadgets, the latest software, a new car, a bigger house. It is indeed a flat world that Friedman describes. A world without culture, arts and traditions. Flat as a pancake and twice as dull.

¹ A well-run bank is a machine for making money . . . [The trade in derivatives] was hampered by one big thing: noone could work out how to price them. The interacting factors of time, risk, interest rates and price volatility were so complex that they defeated mathematicians until Fischer Black and Myron Scholes published a paper in 1973 [...] .The power of derivatives has a way of proving irresistible to those people who aren't just sure that the market is going up, but are beyond sure, are super-sure, are possessed by absolute knowledge. (Lancaster, 2008)

The other nine ‘flatteners’ consist of technological gadgets and software developments that make it possible to transmit documents all over the planet and complete business transactions in microseconds if the price is right. These are described as new ways to conduct international business and there can be no quarrel with this. The core of Friedman’s message is: all barriers to trade must fall – even some imposed by the U.S. government – and then businesses and individuals can transact deals in the virtual, barrier-free world. His conclusion: we must accept the rules of the market if we are to survive in a world in which supercapitalism is the only game in town.

In Friedman’s world, there are opportunities for all – we just have to keep on educating ourselves, have creative ideas and work hard to achieve our goals. This all sounds like a junior high school ethics class, and it is very familiar to the followers of Milton Friedman, philosopher and economist, whose writings have influenced presidents, prime ministers and dictators around the globe. Friedman’s *Laissez faire* capitalism is now the only game in town, and its supporters claim that it is the best possible way of giving human beings the means to live in freedom. Freedom and democracy are only possible when markets are freed from bureaucratic regulations. Then economies will grow according to natural laws, with the ‘invisible hand’ to determine market price.

Thomas Friedman proclaims that the Goals of Mankind are to earn a living and be able to go to Macdonalds for a hamburger. Countries with MacDonalnds, he writes, “don’t fight wars” – a claim that is so blatantly false that one hopes that this was meant ironically. But Friedman doesn’t do irony.

Friedman makes no attempt to analyse the forces that drive the global economy but then he is not writing an economics text book – he’s selling the superiority of free markets. The forces that give businesses a free hand to exploit resources for the benefit of shareholders and entrepreneurs are like the winds and tides – forces of nature, unaffected by human interaction. That old shibboleth, the ‘invisible hand’ acts as the divine watchdog in the global economic game.

Friedman’s conceit of the world as ‘a flat playing field’ revolves around the premise that international trade allows every individual the same opportunities and is conducted under rules which give everybody freedom in the market place; that the fittest will gain the profits, the losers can come back to play again another day. Apart from his technological determinism, Friedman also seems to embrace Social Darwinism. The survival of the fittest

is expressed as a series of clichés about having the will to work hard – as ‘hard as anybody on this globe’ – and to keep on honing skills that we can sell to the new generation of Asian entrepreneurs. His ‘flat world’ analogy has nothing to do with business practices in the real world, where competition is best expressed as conflict. His argument is as flawed as his metaphor.

Friedman then looks at the consequences of a ‘flat world’ for America. Free trade, he writes, is good for all in the long run, although some of the jobs now held by Americans will inevitably disappear into the Asian tiger states. There will, he writes ‘be an inexorable flow of new jobs, as whole new fields of endeavour are spun off faster and faster.’ (Friedman, 2006: 271) What Americans need to do is to work at getting some saleable skills – to make themselves ‘untouchables’ as he put it in a gauche analogy – and then they will be able to continue to earn a good living and buy hamburgers at Macdonalds.

One Asian businessman told him (Friedman, 2006: 267):

“If you believe that human wants and needs are infinite, then there are infinite industries to be created, infinite businesses to be started, and infinite jobs to be done, and the only limiting factor is human imagination.”

It’s a big ‘if’. To start with, are there no limits to the potential of the planet to feed and shelter the human race? *Why* does he believe that ‘human wants and needs are infinite’? Aren’t these needs defined by our family, education, religion and culture? And if wants and needs are infinite, what about those scarce, vital resources – oil, water, coal, timber, foodstuffs? How can we satisfy our wants and needs if vital resources are running out? Who sets the agenda in the peaceful race towards ever more economic growth? His interview partner takes a global view of course, and postulates that more trade and more communications always lead to economic growth and a better standard of living. For everybody? Automatically? The basic assumption that Friedman and the free marketeers seem to make is that the planet can go on supporting a growing population and that all will somehow benefit from the infinite number of businesses that will spring up in time to come.

We’ve come a long way from the arguments of Malthus on population growth, and the past has shown that food production and industrial growth have grown faster than the growing world population, especially over the

past fifty years. We have scientific progress to thank for that. The contribution of the economists has been at best, marginal.

There are two basic weaknesses in Friedman's argument. The first is that as an American, he assumes that the leading role adopted by the U.S.A. in the world in the past sixty years has been by and large beneficial, and that America will continue to provide economic and moral leadership to the world in the future. One must express doubts about the validity of this proposition. Friedman has his reservations about the quality of American education and the lack of commitment in the US administration to energy conservation, but by and large he is confident that the United States will continue to 'lead the world', as he puts it, in technology, business skills and in fair practices. Presumably also in military expenditure – the United States spends more annually on its military than all other countries in the world combined – a fact that Friedman only touches on indirectly, when he states that he wishes that economics were 'more like war'.

The last twenty-five years in technology "have just been the warm-up". Now we are entering a new era, "the main event . . . an era in which technology will literally transform every aspect of business, every aspect of life and every aspect of society." (Friedman, 2006: 278) Shades of Aldous Huxley's 'brave new world'? We don't know what specific changes will follow. Faster communications? Probably. Quicker production processes and networked distribution? Already with us, as explained by Friedman in his first section. Software that tests the freshness of the vegetables and cheese in our refrigerators and then orders a fresh supply via the Internet? Probably – it will give us more time for work and those time-consuming visits supermarket will no longer be necessary.

There's an element of sorcery in these catechisms. In *Catch 22*, Joseph Heller describes how a group of pilots in the Second World War to struggle keep their sanity when all around them are losing their minds (Heller, 1967: 287). Food supplies for the airforce are in the hands of a syndicate, mastered by Milo Minderbinder. It sounds a little like a transnational company but more like a subsidiary of the Mafia. The syndicate exists to make a profit out of the war. Everybody belongs to the syndicate, and so they all have a share in this zany version of globalized capitalism. Milo Minderbinder buys up huge quantities - eggs, asparagus, Egyptian cotton – and fixes prices and behaves like a latter-day merchant banker on a spree with his year-end bonus. His trick is to be both supplier and purchaser and so maximise his profit. He buys eggs at seven cents in Malta and sells them at 5 cents in Sicily and

makes a profit – for the syndicate. It’s very simple – much simpler than a sub-prime stake-out. If only the market forces worked like this!

Heller’s story is a scurrilous trailer for the free market of the 21st century. As Thomas Friedman and his fellow neo-cons tell us: Everybody wins because we are all in the syndicate, now known as the globalized world.

A major contradiction in the concept of growing world markets is that global players – the biggest transnational companies – show little interest in following the rules handed down by Adam Smith and cast in stone by Milton Friedman. The supply-side legend is that the players follow the rules on most occasions. In reality, the rules are made by the players, who break them whenever they want to. The oil and natural gas cartels, the water oligopoly, the dominance of US agribusiness companies or the hold of Asian companies on coal and steel production, the stranglehold of banks and hedge funds on the money flows all indicate that Friedman’s concept of a ‘flat world’ is a pleasant conceit but nothing has changed in the way that large companies, banks and finance houses exercise control over the way the world economy reacts.

Friedman, an American conservative, cites evidence from an unusual source. At Harvard, he hears how the authors of Communist Manifesto analysed 19th century capitalism. Friedman must have been very impressed, for he quotes at length from the document, although he seems to have forgotten that the Manifesto was a joint effort by Marx and Engels (Friedman, 2006: 235):

“I am in awe at how incisively Marx detailed the forces that were flattening the world during the rise of the Industrial Revolution, and how he foreshadowed the way these same forces would keep flattening the world right up to the present.”

The Communist Manifesto was a radical critique of the forms of capital accumulation during the Industrial Revolution, although Friedman does not seem to have read as far as the conclusion. The Manifesto contains the following key paragraphs: The fetters of feudal ownership were torn asunder by capitalism, and into their place “stepped free competition, accompanied by a social and political constitution adapted to it, and by the economic and political sway of the bourgeois class”. The manifesto continues (Feuer, 1969):

*A similar movement is going on before our very eyes. Modern bourgeois society with its relations of production, and of exchange, is like the sorcerer who is no longer able to control the powers of the nether world whom he has called up by his spells. For many a decade past, the history of industry and commerce is but the history of the revolt of the modern productive forces against modern conditions of production, against the property relations that are the conditions for the existence of the bourgeoisie and its rule. It is enough to mention the commercial crises that by their periodic return put on its trial, each time more threateningly, the existence of the entire bourgeois society. In these crises a great part not only of the existing products but also the previously created productive forces are periodically destroyed. [. . .] And how does the bourgeoisie get over these crises? On the one hand, by enforced destruction of a mass of productive forces; on the other, by the conquest of new markets, and by the more thorough exploitation of the old ones. That is to say, **by paving the way for more extensive and more destructive crises, and by diminishing the means whereby crises are prevented.** [My bold G.A.R.].*

First-semester economics students learn that booms and recessions follow each other like the ebb and flow of the tides – but the student (or the professor) never knows when the gradient of the curve is going to dip. Citizens of Detroit know very well how the productive forces of the automobile industry have been systematically closed down at the behest of the shareholders, hoping to increase the value of their stocks – the same is true for Longbridge or Luton in the United Kingdom. In the thirty years after World War II, General Motors dominated their market, but with the steady erosion of market share by the Japanese manufacturers and the slow growth of the European share in the eighties came an era of ‘Supercapitalism’ [Reich, 2007] in which wages and prices fell, while profits rose. One result in the leading industrial states has been the ‘collapse of core values and institutions’ (Judt, 2007) and the emergence of shoals of predatory investment funds, searching the oceans for lucrative investment opportunities.

Since 1990, there have been several well-documented economic crises, most notably the E-Commerce bubble of the late nineties, the Asian crash and the recent sub-prime trash bonds fiasco, none of which were forecast by the experts. There were many who lost a fortune in those busy days, but so far, nobody has claimed that they were able, like George Soros in an earlier crisis, to spot the trend and make a profitable jump from the merry-go-round. Friedman’s reference to the Communist Manifesto is altogether

apposite and on this point, he agrees with the analysis of Klein, although he might be shocked to discover this coincidence of views with a paid-up radical anti-globalizer. The latest financial crisis (2007–2008) followed a well-trodden path; profits from global deals are transformed into a virtual goldmine to be whisked about the universe at breathtaking velocity. When losses occur, speculators call for government intervention to prevent disaster. Losses are nationalised, profits remain private property. Primitive accumulation takes on new and creative forms, as astronomic sums of money race around the digital universe looking for a home. The ‘sorcerers’, the hedge fund managers and nervous young bankers are constantly on the lookout for new opportunities in a dizzily diversified world financial market.

What about ‘the enforced destruction of a mass of productive forces’? Industrial production is outsourced (one of Friedman’s ten ‘flatteners’). In the real world, jobs are exported to where wages are lowest – or where the financial temptations are most attractive². The economists tell us: ‘there is only one economic statistic that really matters, *the growth of productivity*’. (Judt, 2007) Ideals and values? Social adherence and collective responsibility? They belong to another age, as old-fashioned as a horse and cart.

Then there is ‘supercapitalism’- a new term in the economist’s vocabulary. Increased competition for international markets and the ‘cataract of international funds chasing lucrative investments’ have evolved into a new variation of capitalism that now leads in the game of expansion of markets, market shares and the unending search for new profit opportunities.

Friedman looks at the consequences of free trade for the Americans, and admits that free trade ‘won’t necessarily benefit every American.’ How true. He advises America, as opposed to the Americans, to stick to the principles of free trade, ‘as it always has’ (sic). To cope with the growing international competition he proposes that education for everybody in be ‘upgraded, so that he or she will be able to compete for the new jobs in a flat world.’ This must be accompanied by the opening of restricted markets – ‘including some of our own, like agriculture’ – to ‘increase demand for goods and services,

² A large manufacturer of mobile telephones was paid €20,000,000 in subsidies in 1999 to set up a factory in Bochum, Germany. The deal was that a specific number of jobs would be created before by 2007. In January 2008, when the payback limit was reached, the company announced that it was pulling out and transferring the plant to Romania. The subsidies will not be repaid.

spur innovation, and reduce both unemployment and job migration across the globe.' (Friedman, 2006: 331)

The errors in this argument are so glaring that it would take the rest of this paper to refute them fully. Here are three of the major faults. Firstly, upgrading the American education system will only be achieved if the federal government intervenes – anathema to all conservatives! Secondly, American agribusiness prospers because of the huge subsidies paid by the US government, and the industry pays the politicians to keep it that way. *That* is not going to change, and Friedman ought to know this.

Thirdly, over the past twenty years, real wages have fallen steadily in the United States, while the earnings of the top 5% have increased by over 40%, helped along by generous tax relief along the way. With falling wages, spiralling housing costs and an astronomic federal debt, how could the American economy absorb a full programme of neo-liberal market policies? Friedman doesn't know – or if he does, he's not telling us how America will cope in the flat world he is so enthusiastic about.

In an earlier book on globalisation, Friedman declared his faith in capitalism (Freidman, 2002: 21).

“A fundamental truth about globalization (is) that it emerges from below, from street level, from people’s very souls and from their very deepest aspirations. Yes, globalization is the product of the democratizations of finance, technology, and information, but what is driving all three of these is the basic human desire for a better life – a life with more choices what to eat, what to wear, where to live, where to travel, how to work, what to read, what to write and what to learn.

This is a fairly rudimentary formulation of human goals in an unfettered capitalist system: driven by what Friedman believes is a 'basic human desire' to consume more. The forces of supply and demand will reach some mystical balance and the invisible hand guides and controls the system. Canny entrepreneurs invent new products, bold explorers find new ways to extract resources from under the oceans and the pole-caps while the world economy continues to grow for the benefit of us all. Is this the sum total of human existence – learn, work, consume, die?

Capitalism at Work

After explaining how the globalized world is connected, Friedman goes on to show how this new, turbo-charged form of Capitalism has transformed the economies of the 'backward' nations of the world. The collapse of the Soviet Union and its satellites occurred because people wanted freedom; freedom to choose how they earned the livings and spend their wages. Friedman is not a historian or an economist so it would be churlish to criticise him for failing to analyse the causes of the collapse of the Soviet system (Freidman, 2002: 51).

"Within two years there was no Soviet empire to hide behind anymore or to prop up autocratic regimes in Asia, the Middle East, Africa or Latin America. If you were not a democracy or a democratizing society, if you continued to hold fast to highly regulated or centrally planned economies, you were seen as being on the wrong side of history."

'Seen'? By whom? The result? Doesn't get a mention. This is another weakness in Friedman's argument; he concentrates on the nuts and bolts of economic integration and spends no time on the underlying processes that lead to the increasing inter-connectedness of the world economy. Which companies are driving the processes? Who are the architects of globalism?

More serious are the weaknesses of Friedman's views on the stability of the global financial system. Friedman ignores the imbalance in the macro-economic balance sheet, with goods and services produced on one side and the money in circulation on the other. He postulates eternal growth but says nothing about the likelihood of serious financial crises – the latest blip on the screens caused by the sub-prime debacle in the United States and its effects on banks and financial houses around the world. Friedman would probably claim that the developed countries have mastered the problems of financial instability. The evidence from the world's financial markets during the past year is that we are living on the slopes of an active volcano that may break out at any minute and bury us all.

Friedman is confident that the United States can weather the winds of globalization by honing the qualifications and skills of Americans to the needs of the new markets. This will be welcome news to the workers in Detroit or Des Moines, laid off by General Motors or Chrysler but does not have a basis in reality. Real wages in America have been stagnant for twenty years or more even as the economy was growing and all Friedman can offer

is spending more on the education of engineers and retraining and improvements in skills to fir American workers for life in a globalized world. But this will not do, for almost every job that does not require physical presence can be offshored, up to 30% of all US jobs according to some estimates.

Finally, Friedman ignores the impact of the vast US trade deficit caused by artificial exchange rates and the astronomic sums of virtual dollars racing about the globe, faster than the speed of sound. This allows the United States to live beyond their means at the expense of future generations. The Chinese economy booms, because of the low wages paid to Chinese workers, and partly because of an undervalued exchange rate, while United States citizens writes checks for the purchase of goods that destroy American jobs. The Americans consume far more than they earn, while Asian tigers sell them goods and services that they would have produced themselves. Since 2000 the dollar had depreciated by 70% against a trade-weighted basket of currencies (Skidelsky, 2008) Sooner, rather than later, this house of cards is going to crash; the supporters of globalization will find themselves in the position of the emperor in the children's tale. Perhaps it is time for the imposition of effective controls on the global macroeconomy so that the winners don't turn out to be the usual suspects that have always won out in times of retraction.

* * *

"I don't understand why you buy eggs for seven cents apiece in Malta and sell them for five cents."

"I do it to make a profit."

Naomi Klein examines in detail the methods and processes used to break down trade barriers, liberalise markets and privatise state-owned industries and services. It makes her book into a useful antidote to the often rambling paeans of praise heaped on the globalisers by Mr. Friedman.

Globalization is all about profit, shareholder value and market shares. Klein begins her study with an introduction that has the sub-title 'three decades of erasing and remaking the world'. The reference to the Communist Manifesto is clear enough. The emphasis is on the protagonists, the makers, the movers and shakers of the global economy; a point made clear with a cameo of Klein's experience in a food line in the flooded ruins of New Orleans in 2005. For the African-Americans whose houses and neighbourhoods had been flooded and destroyed, this was a disaster of the

first magnitude. To one of the governing politicians, the flood was the chance 'to clean up public housing in New Orleans. We couldn't do it but God did' (Klein, 2007: 4) The disaster was a huge opportunity according to Milton Friedman, then aged 93, the doyen of the neo-liberal economists. M. Friedman saw this disaster as the chance to build a new school system in the town, in which the old free system would be closed out and the new schools turned over to private companies. A few weeks later, of the 123 public schools that existed before Hurricane Katrina, only four remained. (Klein, 2007: 4)

Klein describes this as an example of what she calls "disaster capitalism", or in Judt's words, how the 'wrecking ball of innovation' destroys functioning economic systems to make space so that private investors have room to make their raids on the public sphere. It's a grim tale.

Her first case study is of the operation in Chile to remove President Allende in 1973. Klein describes Milton Friedman as "the intellectual architect and unofficial adviser for the team of economists now running the Chilean economy (in 1976)". A number of Friedman's followers played important roles in the makeover of the economies in Argentina, Uruguay and later in Russia and Lithuania. The dictators in the three South American countries used severe enforcing measures against their opponents; imprisonment, torture and assassinations were all part of the 'shock and awe' programmes used to bring 'economic freedom' to these Latin American nations.

Of course, this does not mean that competitive markets are only achieved through the destruction of existing social systems. It can all be done through peaceful change, according to Thomas Friedman. How reliable is this claim? Is there evidence that support Friedman's thesis?

The facts are disturbing. Studies show that globalization has begun to diminish the numbers of Americans and Europeans who belong to the middle classes - the mainstream of political stability and the bearers of cultural variety. Judt states that the wealth gap in the United States is now wider than it has been since 1929 and in 2005, 21.2% of the national income accrued to 1% of the population. At the same time, the wealth of the Wal-Mart founders family was estimated at about \$90 billion, the same as the lowest 40% of the population - 120 million people The wealth is moving upwards, and the latest tax 'reforms' have helped to accelerate this trend.

Klein has researched in depth the impact of 'shock and awe' on Iraq since 2003. She found on her visit in 2005 that the initial decisions made by the director of the occupation authority, Bremer, had led to an economic disaster of the greatest magnitude and the disbandment of the Iraq army had led to spiralling violence and complete anarchy. Bremer immediately abolished all import restriction, freed all foreign companies from taxes and guaranteed that all profits could be taken out of the country. He announced two weeks after his arrival that the country was "open for business". (Klein, 2007: 339) The construction companies, the oil concerns, the infrastructure planners were all given *carte blanche* to decide for themselves how much they would charge for their services, while money that rightly belonged to Iraq was used to pay for the US occupation. Klein states that the Bush administration intended to use Iraq as a laboratory for change that was supposed to serve as a model for other Middle Eastern countries. She writes 'The fiasco of Iraq is one created by a careful and faithful application of unrestrained Chicago School (neo-liberal economic) ideology.' (Klein, 2007: 351) Milton Friedman advised Pinochet in Chile to cut government spending by 25%: Bremer cut government service in Iraq by 100%.

Ed Harriman has written several reports in the London Review of Books on the costs to of US occupation of Iraq. In July 2005, he reported that Bremer had spent up to \$20 billion of Iraq's money and that the American occupation authorities 'handed out truckloads of dollars for which neither they nor the recipients felt any need to be accountable'. \$8.8 billion that was assigned to the ministries in Baghdad under Bremer is unaccounted for, while the logistics and construction companies have been allowed to write their own bills. Billions of dollars have been spent on 'security' sold by private companies; such as Blackwater, as the privatisation of military operations became an essential part of US policy for Iraq. Klein's conclusion is that Iraq was designated as a testing ground for the transformation of states with mixed economies, with the long-term objective of forcing regimes to adopt the tenets of the free market economy. Iran would probably be the next state to be confronted with 'shock and awe' tactics to remove the present administration, destroy the country's nuclear power stations and open the doors for private investors to take over the country's state-owned utilities.

Klein's book is full of dramatic accounts of the strategies developed to impose free market economies in regions in which political, economic or natural disasters have eaten away the infrastructure: the South American countries, New Orleans, Bali, Iraq; perhaps Cuba will follow in the near future. Klein detects a common pattern in the methods used during the past twenty-five years; the name of Milton Friedman and his cohorts feature in

most of the scenarios. The opening scene takes place in Chile, where Friedman's staff from Chicago advised General Pinochet on how to restore rationality to the national economy.

How tenable is Klein's thesis that a conscious series of decisions and US government policies implemented during the past thirty-odd years belong in a single category, with the title 'Shock Doctrine'? Are we dealing with a conspiracy theory? The sceptical reader may well suspect that Klein is presenting us with a series of events and contriving an interconnectedness based on the assumption that there *must* be a mastermind at work to bring a putsch in Chile, the Tsunami, Hurricane Katrina and the wars in Iraq and Afghanistan into one formula.

One formula, one omnibus term linking the disasters and wars together: 'shock.' The book opens with a long description of the electroshock treatment performed by a professor at a Canadian university in the 1950s. The argument that the author constructs supposes that electroshock treatment is somehow logically connected to natural disasters and to 'Shock and Awe' and to the economic shock treatment which she claims was handed out to Russia in the 1990s. The problem here is a conceptual one. Is it admissible to link phenomena – economic policy, military invasion, natural disasters and electroshock treatment subsumed under the heading of shock? The author has collected a great deal of information that helps us to understand the impacts of neo-liberal policies on a globalized planet but her central argument suffers from what might be described as a suppressed conspiracy syndrome; the phenomena are inter-connected, largely controlled by a tiny elite of financial predators.

Klein believes that human actions are driven by greed, that political power must be controlled by the people who live in that state and that the 'wrecking ball of innovation' must be prevented from destroying much of real value in our societies. Klein states concisely how she believes that the free market Works (Klein,2007; 56-7): -

First, governments must remove all rules and regulations standing in the way of accumulation of profits. Second, they should sell off any assets they own that corporations could be running at a profit. And third, they should dramatically cut back funding of social programs.

Then suppliers and buyers can interact and the profits can roll.

There are interesting correlations in the arguments developed by Naomi Klein and Thomas Friedman. Both authors believe that neo-liberal policies have been implemented in order to bring about radical changes in national economic systems. Klein describes in detail how the sorcerers of the Chicago school wove their spells and brought the economies in Chile, Argentina, in Russia, Lithuania, in South Africa to the point of collapse to cause disaster for millions of people. Friedman's conclusion is that the world economy benefited greatly from the disappearance of the state-run systems, but he has not noticed that the fastest-growing economy of all is (a) centrally-directed, (b) rapidly taking over companies in America and sources of raw materials in Africa so that it will establish a monopoly over key industries (c) has astronomic cash reserves and (d) is not interested in flat playing fields. The country is China.

Friedman stresses the enormous growth potential of the Indian and Chinese economies, and claims that globalization has been wholeheartedly accepted by the Indian people, so America must watch out. Klein sees the economic policies of the Bush administration (2008) as detrimental to the prosperity of a large part of the American population, and its foreign policies as dangerous to several countries, especially in the Middle East. The assumption that if Saddam Hussein were toppled, the Middle East would become a safer and more stable part of the world has proved to be disastrously wrong. The entrepreneurs of Bechtel, Blackwater and Halliburton have been given *carte blanche* to put in bills totalling billions of dollars for work that they have never completed, bribed their way into every aspect of Iraq life and the US occupying forces have used Iraq's money to pay the -unchecked - bills. (Harrington, 2006) The disillusionment over the American invasion could hardly be greater.

Friedman finishes his book with a brief homily on the future of globalization. To succeed in the flat world you need 'the ability to be the first on your block to figure out how all these enabling tools can be put together in new and exciting ways to create products, communities, opportunities and profits. That has always been America's strength, because America was, and for now still is, the world's greatest dream machine (Friedman, 2004: 571)

It's difficult to know what he is driving at here. Is this another of his half time pep talks? He does warn that the world might be more dangerous than it was twenty years ago, but he makes no attempt to make the connection between today's processes of globalization and tomorrow's dangers. If we accept for a moment the concept of a flattened world that allows every

individual to make a living and eat a hamburger, can we ever be sure that the rules of the game are being followed? There have to be supranational controls with the necessary powers to impose sanctions, set up binding guidelines and administer rules for the safety and security of the planet.

The body must be able to withstand the lobbying and pressuring that are daily routine in the corridors of power. Above all, it must be independent, incorruptible, honour and support the interests of all nations and be in a position to enforce its decisions on such vital issues as global climate change, food supplies, asymmetric conflicts and the challenges of natural disasters.

There is no mention of any of these issues in Friedman's book. The Global Challengers have lost his sympathy because they have been hijacked by the militant left. 'Economics', he writes earlier in the book, 'can always be a win-win game.' He then goes on to state, 'I wish economics were more like war,' because 'we all got to be scared together . . . and all our politicians had to be focused and serious about marshalling the resources and education programs to make sure Americans could keep pace with the Soviet Union.' (Friedman,2004 ; 511) There's a grain of truth in his last sentence that is a wake-up call to all Americans: Friedman wants economic activity (he means the free market) to be regarded by Americans as a war. In other words, the 'flat playing field' is a conceit that takes the sharp edge off the truth about competition in a globalized world. The word 'competition should be replaced by 'conflict'. It's not a game, the rules are made to be broken and war has become an acceptable means of imposing neo-liberal processes on the hapless nations stunned by 'shock and awe'. Klein believes that is how free markets work in the twenty-first century: the struggle free markets means using military means to impose neo-liberal rules on recalcitrant countries. In the future, America will continue use military force as a tool of foreign policy. Friedman tacitly accepts this view ('I wish economics were more like war..') and this is probably the view of the hard right in the United States. Klein shows one way that this policy can lead. Let's hope that the new administration reads Klein's book rather than Friedman's.

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