



Market Democracy in a Neoliberal Order: Doctrines and Reality

Davie Lecture, Part I, University of Cape Town, May 1997

By Noam Chomsky

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

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

Reality seems to me rather different. The current spectrum of public policy debate has as little relevance to actual policy as its numerous antecedents: neither the United States nor any other power has been guided by "global meliorism." Democracy is under attack worldwide, including the leading industrial countries; at least, democracy in a meaningful sense of the term, involving opportunities for people to manage their own collective and individual affairs. Something similar is true of markets. The assaults on democracy and markets are furthermore related. Their roots lie in the power of corporate entities that are totalitarian in internal structure, increasingly interlinked and reliant on powerful states, and largely unaccountable to the public. Their immense power is growing as a result of social policy that is globalizing the structural model of the third world, with sectors of enormous wealth and privilege alongside an increase in "the proportion of those who will labor under all the hardships of life, and secretly sigh for a more equal distribution of its blessings," as the leading framer of American democracy, James Madison, predicted 200 years ago. These policy choices are most evident in the Anglo-American societies, but extend worldwide. They cannot be attributed to what "the free market has decided, in its infinite but mysterious wisdom," "the implacable sweep of 'the market revolution'," "Reaganesque rugged individualism," or a "new orthodoxy" that "gives the market full sway." The quotes are liberal-to-left, in some cases quite critical. The analysis is similar across the rest of the spectrum, but generally euphoric. The reality, on the contrary, is that state intervention plays a decisive role, as in the past, and the basic outlines of policy are hardly novel. Current versions reflect "capital's clear subjugation of labor" for more than 15 years, in the words of the business press, which often frankly articulates the perceptions of a highly class-conscious business community, dedicated to class war.

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

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

stood in fear of the common people. For the masses promised to become king," a tendency fortunately reversed-so it has been hoped-as new methods "to mold the mind of the masses" were devised and implemented.

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

Washington's "crusade for democracy," as it is called, was waged with particular fervor during the Reagan years, with Latin America the chosen terrain. The results are commonly offered as a prime illustration of how the U.S. became "the inspiration for the triumph of democracy in our time," to quote the editors of the leading intellectual journal of American liberalism. The author, Sanford Lakoff, singles out the "historic North American Free Trade Agreement (NAFTA)" as a potential instrument of democratization. In the region of traditional U.S. influence, he writes, the countries are moving towards democracy, having "survived military intervention" and "vicious civil war."

The primary "barriers to implementation" of democracy, Lakoff suggests, are the "vested interests" that seek to protect "domestic markets"-that is, to prevent foreign (mainly U.S.) corporations from gaining even greater control over the society. We are to understand, then, that democracy is enhanced as significant decision-making shifts even more into the hands of unaccountable private tyrannies, mostly foreign-based. Meanwhile the public arena is to shrink still further as the state is "minimized" in accordance with the neoliberal "political and economic principles" that have emerged triumphant. A study of the World Bank points out that the new orthodoxy represents "a dramatic shift away from a pluralist, participatory ideal of politics and towards an authoritarian and technocratic ideal..." one that is very much in accord with leading elements of 20th century liberal and progressive thought, and in another variant, the Leninist model; the two are more similar than often recognized. Thinking through the tacit reasoning, we gain some useful insight into the concepts of democracy and markets, in the operative sense.

Lakoff does not look into the "revival of democracy" in Latin America, but he does cite a scholarly source that includes a contribution on Washington's crusade in the 1980s. The author is Thomas Carothers, who combines scholarship with an

"insider's perspective," having worked on "democracy enhancement" programs in Reagan's State Department. Carothers regards Washington's "impulse to promote democracy" as "sincere," but largely a failure. Furthermore, the failure was systematic: where Washington's influence was least, in South America, there was real progress towards democracy, which the Reagan administration generally opposed, later taking credit for it when the process proved irresistible. Where Washington's influence was greatest, progress was least, and where it occurred, the U.S. role was marginal or negative. His general conclusion is that the U.S. sought to maintain "the basic order of...quite undemocratic societies" and to avoid "populist-based change," "inevitably [seeking] only limited, top-down forms of democratic change that did not risk upsetting the traditional structures of power with which the United States has long been allied."

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

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

Furthermore, the leading framer of the constitutional system was an astute and lucid political thinker, James Madison, whose views largely prevailed. In the debates on the Constitution, Madison pointed out that in England, if elections "were open to all classes of people, the property of landed proprietors would be insecure. An agrarian law would soon take place," giving land to the landless. The system that he and his associates were designing must prevent such injustice, he urged, and "secure the permanent interests of the country," which are property rights. It is the responsibility of government, Madison declared, "to protect the minority of the opulent against the majority." To achieve this goal, political power must rest in the hands of "the wealth of the nation," men who would "sympathize sufficiently" with property rights and "be safe depositories of power over them," while the rest are marginalized and fragmented, offered only limited public participation in the political arena. Among Madisonian scholars, there is a consensus that "The Constitution was intrinsically an aristocratic document designed to check the democratic tendencies of the period," delivering power to a "better sort" of people and excluding "those who were not rich, well born, or prominent from exercising political power." These conclusions are often qualified by the observation that Madison, and the constitutional system generally, sought to balance the rights of persons against the rights of property. But the formulation is misleading. Property has no rights. In both principle and practice, the phrase "rights

of property" means the right to property, typically material property, a personal right which must be privileged above all others, and is crucially different from others in that one person's possession of such rights deprives another of them. When the facts are stated clearly, we can appreciate the force of the doctrine that "the people who own the country ought to govern it," "one of [the] favorite maxims" of Madison's influential colleague John Jay, his biographer observes.

One may argue, as some historians do, that these principles lost their force as the national territory was conquered and settled, the native population driven out or exterminated. Whatever one's assessment of those years, by the late 19th century the founding doctrines took on a new and much more oppressive form.

But the growth of the industrial economy, and the rise of corporate forms of economic enterprise, led to a completely new meaning of the term. In a current official document, "Person" is broadly defined to include any individual, branch, partnership, associated group, association, estate, trust, corporation or other organization (whether or not organized under the laws of any State), or any government entity," a concept that doubtless would have shocked Madison and others with intellectual roots in the Enlightenment and classical liberalism-pre-capitalist, and anti-capitalist in spirit.

These radical changes in the conception of human rights and democracy were not introduced primarily by legislation, but by judicial decisions and intellectual commentary. Corporations, which previously had been considered artificial entities with no rights, were accorded all the rights of persons, and far more, since they are "immortal persons," and "persons" of extraordinary wealth and power. Furthermore, they were no longer bound to the specific purposes designated by state charter, but could act as they chose, with few constraints. The intellectual backgrounds for granting such extraordinary rights to "collectivist legal entities" lie in neo-Hegelian doctrines that also underlie Bolshevism and fascism: the idea that organic entities have rights over and above those of persons. Conservative legal scholars bitterly opposed these innovations, recognizing that they undermine the traditional idea that rights inhere in individuals, and undermine market principles as well. But the new forms of authoritarian rule were institutionalized, and along with them, the legitimation of wage labor, which was considered hardly better than slavery in mainstream American thought through much of the 19th century, not only by the rising labor movement but also by such figures as Abraham Lincoln, the Republican Party, and the establishment media.

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

Returning to the "victory of democracy" under U.S. guidance, neither Lakoff nor Carothers asks how Washington maintained the traditional power structure of highly undemocratic societies. Their topic is not the terrorist wars that left tens of

thousands of tortured and mutilated corpses, millions of refugees, and devastation perhaps beyond recovery-in large measure wars against the Church, which became an enemy when it adopted "the preferential option for the poor," trying to help suffering people to attain some measure of justice and democratic rights. It is more than symbolic that the terrible decade of the 1980s opened with the murder of an Archbishop who had become "a voice for the voiceless," and closed with the assassination of six leading Jesuit intellectuals who had chosen the same path, in each case by terrorist forces armed and trained by the victors of the "crusade for democracy." One should take careful note of the fact that the leading Central American dissident intellectuals were doubly assassinated: both murdered, and silenced. Their words, indeed their very existence, are scarcely known in the United States, unlike dissidents in enemy states, who are greatly honored and admired; another cultural universal, I presume.

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

Particularly revealing is Lakoff's description of Nicaragua, again standard: "a civil war was ended following a democratic election, and a difficult effort is underway to create a more prosperous and self-governing society." In the real world, the superpower attacking Nicaragua escalated its assault on the country's first democratic election: the election of 1984, closely monitored and recognized as legitimate by the professional association of Latin American scholars (LASA), Irish, and British Parliamentary delegations, and others, including a hostile Dutch government delegation that was remarkably supportive of Reaganite atrocities, as well as the leading figure of Central American democracy, Jose Figueres of Costa Rica, also critical observer, though regarding the elections as legitimate in this "invaded country," and calling on Washington to allow the Sandinistas "to finish what they started in peace; they deserve it." The U.S. strongly opposed the holding of the elections and sought to undermine them, concerned that democratic elections might interfere with its terrorist war. But that concern was put to rest by the good behavior of the doctrinal system, which barred the reports with remarkable efficiency, reflexively adopting the state propaganda line that the elections were meaningless fraud.

Overlooked as well is the fact that as the next election approached on schedule, Washington left no doubt that unless the results came out the right way, Nicaraguans would continue to endure the illegal economic warfare and "unlawful use of force" that the World Court had condemned and ordered terminated, of course in vain. This time the outcome was acceptable, and hailed in the U.S. with an outburst of exuberance that is highly informative. At the outer limits of critical independence, columnist Anthony Lewis of the New York Times was overcome with admiration for Washington's "experiment in peace and democracy," which showed that "we live in a romantic age." The experimental methods were no secret. Thus Time magazine, joining in the celebration as "democracy burst forth" in Nicaragua, outlined them frankly: to "wreck the economy and prosecute a long and deadly proxy war until the exhausted natives overthrow the unwanted government themselves," with a cost to us that is "minimal," leaving the victim "with wrecked bridges, sabotaged power stations, and ruined farms," and providing Washington's candidate with "a winning issue,"

ending the "impoverishment of the people of Nicaragua," not to speak of the continuing terror, better left unmentioned.

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

We learn more about the victorious principles by recalling that these same representative figures of liberal intellectual life had urged that Washington's wars must be waged mercilessly, with military support for "Latin-style fascists,...regardless of how many are murdered," because "there are higher American priorities than Salvadoran human rights." Elaborating, editor Michael Kinsley, who represented "the left" in mainstream commentary and television debate, cautioned against unthinking criticism of Washington's official policy of attacking undefended civilian targets. Such international terrorist operations cause "vast civilian suffering," he acknowledged, but they may be "perfectly legitimate" if "cost-benefit analysis" shows that "the amount of blood and misery that will be poured in" yields "democracy," as the world rulers define it. Enlightened opinion insists that terror is not a value in itself, but must meet the pragmatic criterion. Kinsley later observed that the desired ends had been achieved: "impoverishing the people of Nicaragua was precisely the point of the contra war and the parallel policy of economic embargo and veto of international development loans," which "wreck[ed] the economy" and "creat[ed] the economic disaster [that] was probably the victorious opposition's best election issue." He then joined in welcoming the "triumph of democracy" in the "free election" of 1990.

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

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

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

The substance of the Cold War pretexts is greatly illuminated by the case of Cuba, as are the real operative principles. These have emerged with much clarity once again in the past few weeks, with Washington's refusal to accept World Trade Organization adjudication of a European Union challenge to its embargo, which is unique in its severity, and had already been condemned as a violation of international law by the Organization of American States and repeatedly by the United Nations, with near unanimity, more recently extended to severe penalties for third parties that disobey Washington's edicts, yet another violation of international law and trade agreements. The official response of the Clinton administration, as reported by the Newspaper of Record, is that "Europe is challenging 'three decades of American Cuba policy that goes back to the Kennedy Administration,' and is aimed entirely at forcing a change of government in Havana." The Administration also declared that the WTO "has no competence to proceed" on an issue of American national security, and cannot "force the U.S. to change its laws."

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

The media, along with intellectual opinion generally, agreed that the Court discredited itself by ruling against the United States. The crucial parts of its decision were not reported, including its determination that all U.S. aid to the contras is military and not humanitarian; it remained "humanitarian aid" across

the spectrum of respectable opinion until Washington's terror, economic warfare, and subversion of diplomacy brought about the "victory for U.S. fair play."

Returning to the WTO case, we need not tarry on the allegation that the existence of the United States is at stake in the strangulation of the Cuban economy. More interesting is the thesis that the U.S. has every right to overthrow another government, in this case, by aggression, large-scale terror over many years, and economic strangulation. Accordingly, international law and trade agreements are irrelevant. The fundamental principles of world order that have emerged victorious again resound, loud and clear.

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

Schlesinger did not explain the meaning of the phrases "troublemaking in the hemisphere" and "the Soviet connection," but he has elsewhere, in secret. Reporting to incoming President Kennedy on the conclusions of a Latin American Mission in early 1961, Schlesinger spelled out the problem of Castro's "troublemaking"-what the Clinton administration calls Cuba's effort "to destabilize large parts of Latin America: it is "the spread of the Castro idea of taking matters into one's own hands," a serious problem, Schlesinger added, when "The distribution of land and other forms of national wealth greatly favors the propertied classes...[and] The poor and underprivileged, stimulated by the example of the Cuban revolution, are now demanding opportunities for a decent living." Schlesinger also explained the threat of the "Soviet connection": "Meanwhile, the Soviet Union hovers in the wings, flourishing large development loans and presenting itself as the model for achieving modernization in a single generation." The "Soviet connection" was perceived in a similar light far more broadly in Washington and London, from the origins of the Cold War 80 years ago.

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

It should be added that the policy of overthrowing the government of Cuba antedates the Kennedy administration. Castro took power in January 1959. By June, the Eisenhower administration had determined that his government must be overthrown. Terrorist attacks from U.S. bases began shortly after. The formal decision to overthrow Castro in favor of a regime "more devoted to the true interests of the Cuban people and more acceptable to the U.S." was taken in secret in March 1960, with the addendum that the operation must be carried out "in such a manner as to avoid any appearance of U.S. intervention," because of the expected reaction in Latin America and the need to ease the burden on

doctrinal managers at home. At the time, the "Soviet connection" and "troublemaking in the hemisphere" were nil, apart from the Schlesingerian version. The CIA estimated that the Castro government enjoyed popular support (the Clinton administration has similar evidence today). The Kennedy administration also recognized that its efforts violated international law and the Charters of the UN and OAS, but such issues were dismissed without discussion, the declassified record reveals

More of the Davie Lecture will appear in coming months.