3 From the Great Transformation to the Global Free Market

John Gray

The collapse of the global marketplace would be a traumatic event with unimaginable consequences. Yet I find it easier to imagine than the continuation of the present regime.

George Soros

The origins of the catastrophe lay in the Utopian endeavour of economic liberalism to set up a self-regulating market system.

Karl Polanyi

Mid-nineteenth century England was the subject of a far-reaching experiment in social engineering. Its objective was to free economic life from social and political control and to use and direct it in the creation of a new institution, the free market, and by breaking up the more socially rooted markets that had existed in England for centuries. The free market created a new type of economy in which prices of all goods, including labour, changed without regard to their effects on society. In the past, economic life had been constrained by the need to maintain social cohesion. It was conducted in social markets—markets that were embedded in society and subject to many kinds of regulation and restraint. The goal of the experiment that was attempted in mid-Victorian England was to demolish these social markets, and replace them by deregulated markets that operated independently of social needs. The rupture in England's economic life produced by the creation of the free market has been called the Great Transformation.

The achievement of a similar transformation is the overriding objective today of transnational organizations such as the World Trade Organisation, the International Monetary Fund and the Organisation for Economic Co-operation and Development. In advancing this revolutionary project they are following the lead of the world's last great Enlightenment regime, the United States. The thinkers of the Enlightenment, such as Thomas Jefferson, Tom Paine, John Stuart Mill and Karl Marx, never doubted that the future for every nation in the world was to accept some version of western institutions and values. A diversity of cultures was not a permanent condition of human life. It was a stage on the way to a universal civilization. All such thinkers advocated the creation of a single worldwide civilization, in which the varied traditions and cultures of the past were superseded by a new, universal community founded on reason.

Free market governments model their policies on the era of laissez-faire – the mid-nineteenth century period in which government claimed that it did not intervene in economic life. In reality a laissez-faire economy – that is to say, an economy in which markets are deregulated and put beyond the possibility of political or social control – cannot be reinvented. Even in its heyday it was a misnomer. It was created by state coercion, and depended at every point in its workings on the power of government. By the First World War the free market had ceased to exist in its most extreme form because it did not meet human needs — including the need for personal freedom.

Yet, without diminishing the size of the state or reinstating the social institutions that supported the free market in its Victorian heyday, free market policies have encouraged new inequalities in income, wealth, access to work and quality of life that rival those found in the vastly poorer world of the mid-nineteenth century [...]

Economic globalization – the worldwide spread of industrial production and new technologies that is promoted by unrestricted mobility of capital and unfettered freedom of trade – actually threatens the stability of the single global market that is being constructed by American-led transnational organizations.

The central paradox of our time can be stated thus: economic globalization does not strengthen the current regime of global laissez-faire. It works to undermine it. There is nothing in today’s global market that buffers it against the social strains arising from highly uneven economic development within and between the world’s diverse societies. The simultaneous waxing and waning of industries and livelihoods, the sudden shifts of production and capital, the cat’s cigarette currency speculation — these conditions trigger political counter-movements that challenge the very ground rules of the global free market.

Today’s worldwide free market lacks the political checks and balances which allowed its mid-Victorian precursor in England to wither away. It can be made more humanly tolerable for the citizens of states which pursue innovative and resourceful policies, but such reforms at the margin will not render the global free market much less unstable. Today’s regime of global laissez-faire will be briefer than even the belle époque of 1870 to 1914, which ended in the trenches of the Great War. [...]
The role of a transnational organization such as the WTO is to project free markets into the economic life of every society. It does so by trying to compel adherence to the rules which release free markets from the encumbered or embedded markets that exist in every society. Transnational organizations can get away with this only insofar as they are immune from the pressures of democratic political life.

Fornal's description of the legislation that was required to create a market economy in the nineteenth century applies with equal force to the project of the global free market today, as has been advanced through the World Trade Organization and similar bodies.

Nothing must be allowed to inhibit the formation of markets, nor must incomes be permitted to form other than through sales. Neither must there be any interference with the adjustment of prices to changed market conditions - whether the prices are those of goods, labour, land, or money. Hence there must not only be markets for all elements of industry, but no measure or policy must be countenanced which would influence the action of these markets. Neither price, nor supply, nor demand must be fixed or regulated; only such policies and measures are in order which help to ensure the self-regulation of the market by creating conditions which make the market the only organizing power in the economic sphere.

To be sure, this is an unrealistic fantasy; its pursuit by transnational bodies has produced economic dislocation, social chaos and political instability in hugely different countries throughout the world.

In the conditions in which it has been attempted in the late twentieth century, reinventing the free market has involved ambitious social engineering on a massive scale. No reformist programme today has a chance of success unless it understands that many of the changes produced, accelerated or reinforced by New Right policies are irreversible. Equally, no political reaction against the consequences of free-market policies will be effective that does not grasp the technological and economic transformations that such policies were able to harness.

Reinventing the free market has effected profound ruptures in the countries in which it has been attempted. The social and political settlements which it has destroyed - the Beveridge settlement in Britain and the Roosevelt New Deal in the United States - cannot now be recreated. The social market economies of Continental Europe cannot be renewed as recognizable variants of post-war social or Christian democracy. Those who imagine that there can be a return to the 'normal politics' of post-war economic management are deluding themselves and others.

Even so, the free market has not succeeded in establishing the hegemonic power that was envisaged for it. In all democratic states the political supremacy of the free market is incomplete, precarious and soon undermined. It cannot easily survive periods of protracted economic setback. In Britain the unintended consequences of neo-liberal policies themselves weakened the New Right's hold on political power. The delicate coalition of electoral and economic constituencies that the New Right mobilized in support of its policies was soon scattered.

It was dissolved partly by the effects of New Right policies and partly by the forces that are loose in the world economy at large. New Right policies offered those who voted for them a chance of upward social mobility. Over time they underlaid the social structures in which such aspirations were framed. Moreover, they imposed heavy costs and risks on some aspirants to property-ownership. Those who have been immobilized by negative equity in their homes can hardly be expected to be enthusiastic about the regime of deregulation that landed them in their difficulties. The economic insecurities which New Right policies exacerbated were bound to weaken the initial coalitions that supported and benefited from these policies. Labour's landslide victory in May 1997 resulted partly from self-undermining effects of the Tories' New Right policies.

However, the dislocations of social and economic life today are not caused solely by free markets. Ultimately they are a by-product of the banalization of technology. Technological innovations made in advanced Western countries are now spread everywhere. Even without free-market policies the managed economies of the post-war period could not have survived - technological advance would have made them unsustainable.

New technologies make full employment policies of the traditional sort unworkable. The effect of information technology is to throw the social division of labour into a flux. Many occupations are disappearing and all jobs are less secure. The division of labour in society is now less stable than it has been since the Industrial Revolution. What global markets do is to transmit this instability to every economy in the world, and in doing so they make a new politics of economic insecurity universal.

The free market cannot last in an age when economic security for the majority of people is being reduced by the world economy. The regime of laissez-faire is bound to trigger counter-movements which reject its constraints. Such movements - whether populist and xenophobic, fundamentalist or neo-communist - can achieve few of their goals, but they can still rattle to pieces the brittle structures that support global laissez-faire. Must we accept that the world's economic life cannot be organized as a universal free market and that better forms of government by global regulation are unachievable? Is it a late modern anomaly our historical fate?

A reform of the world economy is needed that accepts a diversity of cultures, regimes and market economies as a permanent reality. A global free market belongs to a world in which Western hegemony seemed assured. Like all other variants of the Enlightenment Utopia of a universal civilization it presupposes Western supremacy. It does not square with a pluralist world in which there is no power that can hope to exercise the hegemony that Britain, the United States and other Western states possessed in the past. It does not meet the needs of a time in which Western institutions and values are no longer universally authoritative. It does not allow the world's manifold cultures to achieve modernizations that are adapted to their histories, circumstances and distinctive needs.

A global free market works to set sovereign states against one another in geopolitical struggles for dwindling natural resources. The effect of a laissez-faire philosophy which condemns state intervention in the economy is to impel states to become rivals for control of resources that no institution has any responsibility for conserving.

Nor, evidently, does a world economy that is organized as a global free market meet the universal human need for security. The raison d'être of governments everywhere is their ability to protect citizens from insecurity. A regime of global laissez-faire that prevents governments from discharging this protective role is creating the conditions for still greater political, and economic, instability.
In advanced economies that are competently and resourcefully governed, ways may be found in which the risks imposed on citizens by world markets can be mitigated. In poorer countries, global laissez-faire produces fundamentalist regimes and works as a catalyst for the disintegration of the modern state. At the global level, as at that of the nation-state, the free market does not promote stability or democracy. Global democratic capitalism is as unrealizable a condition as worldwide communism.

4 Jihad vs. McWorld

Benjamin Barber

History is not over. Nor are we arrived in the wondrous land of techné promised by the futurologists. The collapse of state communism has not delivered people to a safe democratic haven, and the past, fratricide and civil discord perduring, still clouds the horizon just behind us. Those who look back see all of the horrors of the ancient slaughterbench reenacted in disintegrated nations like Bosnia, Sri Lanka, Ossetia, and Rwanda and they declare that nothing has changed. Those who look forward prophesy commercial and technological interdependence - a virtual paradise made possible by spreading markets and global technology - and they proclaim that everything is or soon will be different. The rival observers seem to consult different almanacs drawn from the libraries of contra-planets.

Yet anyone who reads the daily papers carefully, taking in the front page accounts of civil carnage as well as the business page stories on the mechanics of the information superhighway and the economics of communication mergers, anyone who turns deliberately to take in the whole 360-degree horizon, knows that our world and our lives are caught between what William Butler Yeats called the two eternities of race and soul; that of race reflecting the tribal past, that of soul anticipating the cosmopolitan future. Our secular eternities are corrupted, however, race reduced to an insignia of resentment, and soul sized down to fit the demanding body by which it now measures its needs. Neither race nor soul offers us a future that is other than bleak, neither promises a polity that is remotely democratic.

The first scenario rooted in race holds out the grim prospect of a retribalization of large swaths of humankind by war and bloodshed; a threatened balkanization of nation-states in which culture is pitted against culture, people against people, tribe against tribe, a Jihad in the name of a hundred narrowly conceived faiths against every kind of interdependence, every kind of artificial social cooperation and mutuality: against technology, against pop culture, and against integrated markets; against modernity itself as well as the future in which modernity issuers. The second paints that future in shimmering pastels, a busy portrait of unerring economic, technological, and ecological forces that demand integration and uniformity and that mesmerize peoples everywhere with fast music, fast computers, and fast food - MTV, Macintosh, and McDonald's - pressing nations into one homogeneous global theme park, one McWorld tied together by communications, information, entertainment.