

### 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 it did so by constructing 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 Cooperation 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advocated the creation of a single worldwide civilization, in which the varied traditions and cultures of the past were superseded by a new, universal community founded on reason.

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The United States today is the last great power to base its policies on this enlightenment thesis. According to the 'Washington consensus', 'democratic capitalism' will soon be accepted throughout the world. A global free market will become a reality. The manifold economic cultures and systems that the world has always contained will be redundant. They will be merged into a single universal free market.

Transnational organizations animated by this philosophy have sought to impose free markets onto the economic life of societies throughout the world. They have implemented programmes of policies whose ultimate objective is to incorporate the world's diverse economies into a single global free market. This is a Utopia that can never be realized; its pursuit has already produced social dislocation and economic and political instability on a large scale.

In the United States free markets have contributed to social breakdown on a scale unknown in any other developed country. Families are weaker in America than in any other country. At the same time, social order has been propped up by a policy of mass incarceration. No other advanced industrial country, aside from post-communist Russia, uses imprisonment as a means of social control on the scale of the United States. Free markets, the desolation of families and communities and the use of the sanctions of criminal law as a last recourse against social collapse go in tandem.

Free markets have also weakened or destroyed other institutions on which social cohesion depends in the US. They have generated a long economic boom from which the majority of Americans has hardly benefited. Levels of inequality in the United States resemble those of Latin American countries more than those of any European society. Yet such direct consequences of the free market have not weakened support for it. It remains the sacred cow of American politics and has become identified with America's claim to be a model for a universal civilization. The Enlightenment project and the free market have become fatefully intertwined.

A single global market is the Enlightenment's project of a universal civilization in what is likely to be its final form. It is not the only variant of that project to have been attempted in a century that is littered with false Utopias. The former Soviet Union embodied a rival Enlightenment Utopia, that of a universal civilization in which markets were replaced by central planning. The human costs of that defunct Utopia were incalculable. Millions of lives were lost through totalitarian terror, ubiquitous corruption and apocalyptic environmental degradation. An immeasurable price in human suffering was exacted by the Soviet project – yet it failed to deliver the modernization it promised for Russia. At the close of the Soviet era Russia was in some ways further from modernity than it had been in late Tsarist times.

The Utopia of the global free market has not incurred a human cost in the way that communism did. Yet over time it may come to rival it in the suffering that it inflicts. Already it has resulted in over a hundred million peasants becoming migrant labourers in China, the exclusion from work and participation in society of tens of millions in the advanced societies, a condition of near-anarchy and rule by organized crime in parts of the post-communist world, and further devastation of the environment.

Even though a global free market cannot be reconciled with any kind of planned economy, what these Utopias have in common is more fundamental than their differences. In their cult of reason and efficiency, their ignorance of history and their contempt for the ways of life they consign to poverty or extinction, they embody the

same rationalist hubris and cultural imperialism that have marked the central traditions of Enlightenment thinking throughout its history.

A global free market presupposes that economic modernization means the same thing everywhere. It interprets the globalization of the economy – the spread of industrial production into interconnected market economies throughout the world – as the inexorable advance of a singular type of western capitalism: the American free market.

The real history of our time is nearer the opposite. Economic modernization does not replicate the American free market system throughout the world. It works against the free market. It spawns indigenous types of capitalism that owe little to any western model.

The market economies of east Asia diverge deeply from one another, with those of China and Japan exemplifying different varieties of capitalism. Equally, Russian capitalism differs fundamentally from capitalism in China. All that these new species of capitalism have in common is that they are not converging on any western model.

The emergence of a truly global economy does not imply the extension of western values and institutions to the rest of humankind. It means the end of the epoch of western global supremacy. The original modern economies in England, western Europe and north America are not models for the new types of capitalism created by global markets. Most countries which try to refashion their economies on the model of Anglo-Saxon free markets will not achieve a sustainable modernity.

Today's Utopia of a single global market assumes that the economic life of every nation can be refashioned in the image of the American free market. Yet in the United States the free market has ruptured the liberal capitalist civilization, founded on Roosevelt's New Deal, on which its post-war prosperity rested. The United States is only the limiting case of a general truth. Wherever deregulated markets are promoted in late modern societies they engender new varieties of capitalism.

In China they have spawned a new variant of the capitalism practised by the Chinese diaspora throughout the world. In Russia the collapse of Soviet institutions has not produced free markets but instead a novel variety of post-communist anarcho-capitalism.

Nor is the growth of a world economy promoting the universal spread of western liberal democracy. In Russia it has produced a hybrid type of democratic government in which strong presidential power is central. In Singapore and Malaysia economic modernization and the growth have been achieved without loss of social cohesion by governments that reject the universal authority of liberal democracy. With luck, a similar government may emerge in China when it becomes fully post-communist.

A world economy does not make a single regime – 'democratic capitalism' – universal. It propagates new types of regimes as it spawns new kinds of capitalism. The global economy that is presently under construction will not assure the free market's future. It will trigger a new competition between remaining social market economies and free markets in which social markets must reform themselves profoundly or be destroyed. Yet, paradoxically, free market economies will not be the winners in this contest. For they too are being transformed out of all recognition by global competition.

The free market governments of the 1980s and 1990s failed to achieve many of their objectives. In Britain, levels of taxation and state spending were as high, or higher, after eighteen years of Thatcherite rule than they were when Labour fell from power in 1979.

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 swift waxing and waning of industries and livelihoods, the sudden shifts of production and capital, the casino of 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 False Dawn of the Global Free Market

[...] The natural counterpart of a free market economy is a politics of insecurity. If 'capitalism' means 'the free market', then no view is more deluded than the belief that the future lies with 'democratic capitalism'. In the normal course of democratic political life the free market is always short-lived. Its social costs are such that it cannot for long be legitimated in any democracy. This truth is demonstrated by the history of the free market in Britain, and it is well understood by more far-sighted neo-liberal thinkers who plan to make the free market global.

Those who seek to design a free market on a worldwide scale have always insisted that the legal framework which defines and entrenches it must be placed beyond the reach of any democratic legislature. Sovereign states may sign up to membership of the World Trade Organisation; but it is that organization, not the legislature of any sovereign state, which determines what is to count as free trade, and what a restraint of it. The rules of the game of the market must be elevated beyond any possibility of revision through democratic choice.

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.

Polanyi'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 Organisation 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 that 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 unrealizable 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 undid 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 exacerbate were bound to weaken the initial coalitions that supported and benefited from these policies. Labour's landslide victory in May 1997 resulted partly from these 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 arise from the banalization of technology. Technological innovations made in advanced western countries are soon copied 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 technologies 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 in which 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 governance by global regulation are unachievable? Is a late modern anarchy 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 disintegral 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 contrarian 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 issues. The second paints that future in shimmering pastels, a busy portrait of onrushing 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,

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