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Todd Tucker

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The “Told You So” Moment

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SUPERCLASS

by David Rothkopf

Farrar, Strauss and Giroux, 2008 376 pp \$26

BAD SAMARITANS

by Ha-Joon Chang

Bloomsbury Press, 2008 276 pp \$26.95

HOW TO RULE THE WORLD

by Mark Engler

Nation Books, 2008 362 pp \$16.95

THIS OCTOBER, the International Monetary Fund (IMF) and World Bank meetings came to Washington, and, as they do every year, an impassioned bunch of activists mounted protests, decrying the neoliberal agenda that has deregulated markets, pitted worker against worker, and devastated local communities and the environment.

The difference this time around was that, in the wake of the most significant financial meltdown of our times, the bankers were echoing the protestors' calls for re-regulation. Indeed, as the number of people protesting the global institutions has shrunk since September 11, 2001, the mainstream acceptance of their basic critiques has swelled. Federal candidates call for a greening and localization of the economy. Corporate boards fret about the fallout from increased inequality. Opinion polls show that majorities of voters are against the North American Free Trade Agreement (NAFTA) regardless of age, party affiliation, or any other demographic indicator. And the power of the World Trade Organization (WTO) and other neoliberal institutions has been frozen in place or, in some cases, scaled back.

Three recent books—one from a corporate

consultant, one from a Cambridge economist, and one from an activist-journalist—provide new evidence of the growing influence of the global-justice critique and show the challenges it will face in the global meltdown era.

JOAN ROBINSON once said that Joseph Schumpeter was Karl Marx with the adjectives changed. David Rothkopf's latest book, *Superclass*, could be compared in a similar fashion to Jeff Faux's book *The Global Class War*. The thesis is essentially the same: power and wealth are being concentrated in the hands of a small band of elites who have little to no loyalty to their home countries. But where Faux shows how the elites use their *power* to create agreements (NAFTA, for example) that reflect their *interests*, Rothkopf doesn't seem to make the connection between power and interest or, for that matter, even argue that different classes and segments of society have different interests.

Indeed, Rothkopf discards history and adopts a metaphysical approach. Elites speak English; attend the same schools; interact in the same boardrooms, on the same ski slopes and private jets; and from this a (mostly) common agenda spontaneously emerges. Indeed, the concentration of power and resources is natural, unavoidable—even desirable. “We will always want and need leaders,” he writes.

Rothkopf is a corporate consultant and former Clinton administration trade official who had a hand in the deregulation of the 1990s. For that reason, his admissions of the shortcomings of neoliberalism carry significant weight. For instance, he criticizes fellow elites who ignore rising inequality. He admits that too little concern has been paid to democracy. Even our military is too influenced by private interests.

Unfortunately, he misses too many opportunities to connect the dots. “Freer trade,

which benefits everyone, has been threatened by the fact that those who advocated it were not sensitive enough to the dislocations that it causes," he writes. "And I have been, as were my colleagues and counterparts elsewhere in the world, wrong. Not in thrust or ultimate goal, but in emphasis." Aside from making incoherent arguments—he argues that trade benefits *everyone*, except those that it doesn't—such apologetics ignore existing bodies of knowledge. Economists have known since the 1940s that the main impact of trade liberalization for a developed nation like the United States would be wage stagnation for labor as a whole, not just narrow job loss in import-competing industries. But because he's unwilling to fess up to the full scale of the mess he helped create, his calls for increased dialogue or compensation ring hollow.

Superclass fails to engage seriously with the critiques of neoliberal opponents. For instance, social democrats like Faux are grouped in with conservative reactionaries like Iranian president Mahmoud Ahmadinejad. This allows Rothkopf to sidestep progressive reformers' critiques of NAFTA. Instead, he dwells on straw-man arguments such as the accusation that the superclass represents a global freemasonic conspiracy. He has to dig fairly deeply into the right-wing fringe to find evidence that anyone actually holds this view only to then discard it by pointing out that elites do not necessarily agree on everything. They disagree, for instance, on what *exactly* is the best thing about Davos's World Economic Forum.

Rothkopf claims that the superclass is distinct in that its members often have tenuous ties to place or government, as a quote from corporate chair Craig Barrett indicates: "Intel can thrive today and never hire another American"; or when columnist Thomas Friedman tells Rothkopf that members of Congress don't have "anywhere near the grasp that you or the average multinational CEO does today about how the world works [so] it's only natural that the business community steps in." As if for emphasis, Rothkopf tells us that "the era of the nation state . . . has ended." Acting alone, or even together, national governments will not be able to rein in the superclass or even deliver on their own social contract.

CAMBRIDGE ECONOMIST Ha-Joon Chang has made it his mission to set the historical record straight. In his lifetime, and in less than a quarter of the time it took the United Kingdom to develop, per-capita income in his native South Korea has gone from below Ghana's to OECD (Organization for Economic Cooperation and Development) levels. The country did this with an extensive mix of government regulations on imports and foreign direct investment coupled with a vigorous export orientation. The peninsula was not alone in its development approach: *every* now-developed country from the United States to Finland did the same.

Bad Samaritans is Chang's retelling, for a non-specialist audience, of the conclusions of past, more academic, work. His 2002 book *Kicking Away the Ladder* painted rich countries as hypocrites who used institutions like the WTO and IMF to restrict or prohibit the very developmentalist policies that were the secret of their success. *Bad Samaritans*, on the other hand, allows that some rich governments and donors—or at least certain people in their employ—may have good intentions, but that they will end up hurting more than helping if they don't learn the right lessons from history.

Where Rothkopf claims that the nation-state has become irrelevant, Chang argues that it is as important as ever and largely ignores the role of the individuals profiled in *Superclass*. "If firms have become so mobile as to make national regulation powerless, why are the Bad Samaritan rich countries so keen on making developing countries sign up to all those international agreements that restrict their ability to regulate foreign investment?" The countries most restrictive of foreign investment—from nineteenth-century America to twenty-first-century China—have attracted the lion's share of it.

During the "Golden Age" of development in the decades following the Second World War, global trading rules were premised on offering developing countries special and differential treatment. In the current round of WTO talks, however, rich nations are asking their poor counterparts to reduce industrial tariffs to levels not seen since colonial days—something that would hinder infant-industry promo-

tion, not to mention drain a primary source of government revenue and thus social spending.

Chang finds evidence of double standards in the intellectual-property debate as well. While WTO proponents often claim to push “free trade,” such pacts in fact require massive government intervention in free markets to protect monopoly patents. But few developed countries honored these in their past, and the free-market *Economist* once opposed patents on the basis that the costs to blocking widespread (and costless) diffusion of knowledge would outweigh the benefits. Access to copyrighted technology and academic textbooks could boost poor countries’ productivity and growth, while life-saving medicines are the *sine qua non* of rebuilding AIDS-ravaged countries. But thanks to the WTO intellectual-property agreement, developing countries are now paying an extra \$45 billion annually in technology license payments alone—or about half what rich governments spend on foreign aid. The neoliberal world order is full of instances of what Chang (per Gore Vidal) terms socialism for the rich and free markets for the poor.

Bad Samaritans also takes on the notion that the state can’t run efficient enterprises (Volkswagen and Singapore Airlines are counterexamples), that it can’t develop the economy in the midst of corruption (Suharto’s Indonesia and spoils-system America), and that it can’t change cultural norms (Japan’s instillation of a capitalist work ethic in its feudal peasantry a century ago). The common denominator is a focus on state actors, unlike Rothkopf’s almost exclusive take on individuals. But who exactly is the historical subject that develops poor countries? Or that turns the U.S. government into a global fair dealer? When Chang asserts, “Brazil is far too smart and independent-minded” to sign up for most neoliberal policies, who is “Brazil”? Chang holds out hope that enlightened self-interest will make developed-country governments—tired of the moribund third-world export markets that neoliberalism’s low-growth record has yielded—see the error of their ways. But when it comes to plotting out how this might actually happen, Chang, like Rothkopf, declines to address the collective-action problem.

IF *SUPERCLASS* is about elites and *Bad Samaritans* about states, *How to Rule the World* is about the responses of social movements to both. Much of the book—journalist Mark Engler’s first—analyzes how activists have come to view the schism in the U.S. ruling class as one between Clintonite corporate globalizers and Bushite imperial globalizers. While Bill Clinton ruled the world through proxies like the IMF, George W. Bush sidelined the multilateral institutions in favor of direct intervention. While Clinton charmed the global cultural intelligentsia with his knowledge of novelists like Gabriel García Márquez, Bush drove global approval ratings of the U.S. presidency through the floor.

Engler cautions against seeing these contrasts as a vindication of Clinton, whose multilateralism was selective and put U.S. corporate interests first; in the long, slow decline of a U.S. empire wracked by trade deficits and military overextension, Bush might have hit the accelerator, but didn’t set the direction.

Unlike Rothkopf or Chang, Engler acknowledges the global-justice movement’s role in prompting a wider mainstream discussion on inequality and development. And far from disappearing, as the conventional wisdom goes, global-justice actors have moved into different spaces beyond street protests. Fair traders mobilized a nearly three-year, cross-border campaign that culminated in the opposition of more than 90 percent of congressional Democrats to the Central America Free Trade Agreement (CAFTA). Debt-relief groups found strange bedfellows in the Bush administration, which joined the other G-8 governments in canceling 100 percent of eligible debt from the Highly Indebted Poor Countries. And the World Social Forum process continues to attract hundreds of thousands of participants from Porto Alegre, Brazil, to Atlanta, Georgia.

But Engler also highlights political developments for which the movement cannot claim primary credit. WTO expansion has been stopped in its tracks, and international financial institutions are a shell of their former self, but this has been primarily the doing of nation-states. Spurred by fallout from financial crises of the 1990s, Asian governments stockpiled currency reserves and became less reli-

ant on IMF bailouts. Pushed by popular movements, Latin American governments have trended left, creating alternative development financing mechanisms and thwarting Bush's push for a Free Trade Area of the Americas.

Today, IMF economists are being downsized and face the poetic justice of returning to home governments that can no longer hire them, thanks to the privatization and fiscal austerity measures they themselves forced through lending conditions. The Fund's loan portfolio—at \$105 billion in 2003—is around \$17 billion today, with most of this owed by two governments, one of which (Turkey) indicated in March of 2008 that future loans are “unlikely.”

The movement has also been beset by strategic disagreements in the Bush years. In 2005, European groups almost derailed the debt-cancellation initiative by insisting that donors compensate the World Bank for any lost revenue. In 2007, the Democratic congressional leadership cut a deal with the Bush administration on a Peru trade pact that included labor rights language but left the underlying NAFTA model intact. And since 2001, there have been large and well-funded groups—some headed by famous Irish rock stars—that ask for little more than small-bore changes to multilateral institutions.

While Engler acknowledges the demand for progressives to spell out their alternative visions, he's also willing to make the case for just saying “no.” After all, “the alternative to invading Iraq is not invading Iraq. The alternative to CAFTA is no CAFTA.” At base, arguments about globalization are about rules. Neoliberalism imposes a “golden straitjacket” (that is, allegedly pro-growth ends delivered via undemocratic means such as IMF conditionality)—an evocative concept of Thomas Friedman's cited in all three books. Freed from this odious restraint, countries can function freely and outside the sanitarium.

There is some conceptual lifting here, such as Engler's sustained critique of overly simplistic war-profiteering explanations for Operation Iraqi Freedom or his criticisms of Joseph Stiglitz's reluctance to criticize his former employer, the World Bank, with the same vigor as he does the IMF. But Engler is more interested

in hinting at potential future directions for activism, rather than offering an exposition of an alternative set of rules for the economy as Chang does. In fact, he criticizes intellectuals who have tried to swoop in and offer some resolution to “the question of vision” from on high, rather than engaging in democratic deliberations at the bottom.

THE CLOSEST Engler gets to prescription is when he concludes that progressives should divide and conquer the neoliberals, chasing them out of the major center-left parties (as he hopes will happen in the United States) and even driving them out of state power where possible (as did happen in Bolivia). His faith in the grassroots is palpable: “A shift toward greater diversity and experimentation in the global economy will increase the power of social movements at the national level to pressure their leaders,” he predicts. But at its core, *How to Rule* is less the strategy blueprint promised by the title than an inventory

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of innovative movement tactics and messages over the last decade.

ENGLER WORRIES that liberals, exhausted after almost a decade of fighting Bush, might be too willing to acquiesce to a return of Clintonism. Yet several developments make this unlikely. Internationally, institutions have weakened, making it difficult to return to neoliberal heydays. Moreover, the global rejection of WTO strictures that confronted both Clinton and Bush has not disappeared, and if anything is stronger today. Multinational business lobbies are demanding liberalization of first-world immigration policy and third-world industrial and agricultural sectors that is politically untenable in both. Europeans, in particular, have growing concerns about WTO

overreach into their climate and consumer-protection policies, and Americans will soon join this discontent if and when we ever start getting any progressive policies in these areas.

In addition, the leading global-justice groups have spent years preparing the political ground for the post-Bush era. World Bank campaigners have moved past simple debt relief—which has had some successes but often comes with additional harmful conditionalities—and received congressional buy-in for mandated limitations on the latter. And voting blocs like the House Trade Working Group and their allies outside Congress—which already flexed their muscle by getting a majority of Democrats to vote against their leadership on the Peru deal—are a force with which to be reckoned. This coalition is already pushing bills like the Trade Reform, Accountability, Development and Employment Act—co-sponsored by Senator Sherrod Brown (D-Ohio) and Representative Mike Michaud (D-Maine) and eighty others—that will overhaul NAFTA and other trade policies.

Nevertheless, as economic conditions worsen, there will be a bevy of rich individuals and governments attempting to claim the reform mantle as their own. The WTO, IMF, and World Bank are already attempting to reposition themselves as the ideal brokers for solutions to the climate, finance, and food-price crises—despite their role in creating or exacerbating them. Decades of political marginalization have left too many progressives too timid to lay out their alternative visions in a meaningful policy form. If they fail to do so now, the current “told you so” moment will be sweet but short. ●

TODD TUCKER is research director of Public Citizen's Global Trade Watch division and blogs at EyesOnTrade.Org. He is co-author of *The Rise and Fall of Fast Track Trade Authority*, available for order or download on the blog. The views expressed here are his alone.

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by Reneau H. Reneau

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