

Myths Of Globalization: Noam Chomsky And Ha-Joon Chang In Conversation



Ha-Joon Chang Photo:
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Since the late 1970s, the world's economy and dominant nations have been marching to the tune of (neoliberal) globalization, whose impact and effects on average people's livelihood and communities everywhere are generating great popular discontent, accompanied by a rising wave of nationalist and anti-elitist sentiments. But what exactly is driving globalization? And who really benefits from globalization? Are globalization and capitalism interwoven? How do we deal with the growing levels of inequality and massive economic insecurity? Should progressives and radicals rally behind the call for the introduction of a universal basic income? In the unique and exclusive interview below, two leading minds of our time, linguist and public intellectual Noam Chomsky and Cambridge University economist [Ha-Joon Chang](#), share their views on these essential questions.

C. J. Polychroniou: Globalization is usually referred to as a process of interaction and integration among the economies and people of the world through international trade and foreign investment with the aid of information technology. Is globalization then simply a neutral, inevitable process of economic, social and

technological interlinkages, or something of a more political nature in which state action produces global transformations (state-led globalization)?

Ha-Joon Chang: The biggest myth about globalization is that it is a process driven by technological progress. This has allowed the defenders of globalization to brand the critics as “modern Luddites” who are trying to turn back the clock against the relentless progress of science and technology.

However, if technology is what determines the degree of globalization, how can you explain that the world was far more globalized in the late 19th and the early 20th century than in the mid-20th century? During the first Liberal era, roughly between 1870 and 1914, we relied upon steamships and wired telegraphy, but the world economy was on almost all accounts more globalized than during the far less liberal period in the mid-20th century (roughly between 1945 and 1973), when we had all the technologies of transportation and communications that we have today, except for the internet and cellular phones, albeit in less efficient forms.

The reason why the world was much less globalized in the latter period is that, during the period, most countries imposed rather significant restrictions on the movements of goods, services, capital and people, and liberalized them only gradually. What is notable is that, despite [its] lower degree of globalization ... this period is when capitalism has done the best: the fastest growth, the lowest degree of inequality, the highest degree of financial stability, and — in the case of the advanced capitalist economies — the lowest level of unemployment in the 250-year history of capitalism. This is why the period is often called “the Golden Age of Capitalism.”

Technology only sets the outer boundary of globalization — it was impossible for the world to reach a high degree of globalization with only sail ships. It is economic policy (or politics, if you like) that determines exactly how much globalization is achieved in what areas.

The current form of market-oriented and corporate-driven globalization is not the only — not to speak of being the best — possible form of globalization. A more equitable, more dynamic and more sustainable form of globalization is possible.

We know that globalization properly began in the 15th century, and that there have been different stages of globalization since, with each stage reflecting the

underlying impact of imperial state power and of the transformations that were taking place in institutional forms, such as firms and the emergence of new technologies and communications. What distinguishes the current stage of globalization (1973-present) from previous ones?

Chang: The current stage of globalization is different from the previous ones in two important ways.

The first difference is that there is less open imperialism.

Before 1945, the advanced capitalist countries practised [overt] imperialism. They colonized weaker countries or imposed “unequal treaties” on them, which made them virtual colonies — for example, they occupied parts of territories through “leasing,” deprived them of the right to set tariffs, etc.

Since 1945, we have seen the emergence of a global system that rejects such naked imperialism. There has been a continuous process of de-colonialization and, once you get sovereignty, you became a member of the United Nations, which is based upon the principle of one-country-one-vote.

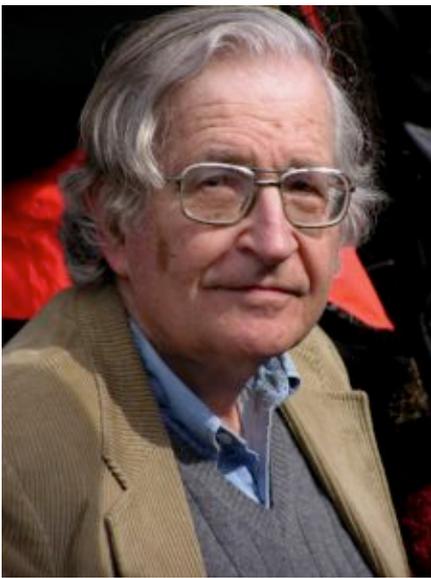
Of course, the practice has been different — the permanent members of the Security Council of the UN have a veto and many international economic organizations (the International Monetary Fund, the World Bank) are run on the principle of one-dollar-one-vote (voting rights are linked to paid-in capital). However, even so, the post-1945 world order was immeasurably better than the one that came before it.

Unfortunately, starting in the 1980s but accelerating from the mid-1990s, there has been a rollback of the sovereignty that the post-colonial countries had been enjoying. The birth of the WTO (World Trade Organization) in 1995 has shrunk the “policy space” for developing countries. The shrinkage was intensified by subsequent series of bilateral and regional trade and investment agreements between rich countries and developing ones, like Free Trade Agreements with the US and Economic Partnership agreements with the European Union.

The second thing that distinguishes the post-1973 globalization is that it has been driven by transnational corporations far more than before. Transnational corporations existed even from the late 19th century, but their economic importance has vastly increased since the 1980s.

They have also influenced the shaping of the global rules in a way that enhances their power. Most importantly, they have inserted the investor-state dispute settlement (ISDS) mechanism into many international agreements. Through this mechanism, transnational corporations can take governments to a tribunal of three adjudicators, drawn from a pool of largely pro-corporate international commercial lawyers, for having reduced their profits through regulations. This is an unprecedented extension of corporate power.

Noam, are globalization and capitalism different?



Noam Chomsky ~ Photo:
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Noam Chomsky: If by “globalization” we mean international integration, then it long pre-dates capitalism. The silk roads dating back to the pre-Christian era were an extensive form of globalization. The rise of industrial state capitalism has changed the scale and character of globalization, and there have been further changes along the way as the global economy has been reshaped by those whom Adam Smith called “the masters of mankind,” pursuing their “vile maxim”: “All for ourselves, and nothing for other people.”

There have been quite substantial changes during the recent period of neoliberal globalization, since the late 1970s, with Reagan and Thatcher the iconic figures — though the policies vary only slightly as administrations change. Transnational corporations are the driving force, and their political power largely shapes state policy in their interests.

During these years, supported by the policies of the states they largely dominate, transnational corporations have increasingly constructed global value chains (GVCs) in which the “lead firm” outsources production through intricate global networks that it establishes and controls. A standard illustration is Apple, the world’s biggest company. Its iPhone is designed in the US. Parts from many suppliers in the US and East Asia are assembled mostly in China in factories owned by the huge Taiwanese firm Foxconn. Apple’s profit is estimated to be about 10 times that of Foxconn, while value added and profit in China, where workers toil under miserable conditions, is slight. Apple then sets up an office in Ireland so as to evade US taxes — and has recently been fined \$14 billion by the EU in back taxes.

Reviewing the “GVC world” in the British journal *International Affairs*, Nicola Phillips writes that production for Apple involves thousands of firms and enterprises that have no formal relationship with Apple, and at the lower tiers may be entirely unaware of the destination of what they are producing. This is a situation that generalizes.

The immense scale of this new globalized system is revealed in the 2013 World Investment Report of the United Nations Commission on Trade and Development. It estimates that some 80 percent of global trade is internal to the global value chains established and run by transnational corporations, accounting for perhaps 20 percent of jobs worldwide.

Ownership of this globalized economy has been studied by political economist Sean Starrs. He points out that the conventional estimates of national wealth in terms of GDP are misleading in the era of neoliberal globalization. With complex integrated supply chains, subcontracting and other such devices, corporate ownership of the world’s wealth is becoming a more realistic measure of global power than national wealth, as the world departs more than before from the model of nationally discrete political economies. Investigating corporate ownership, Starrs finds that in virtually every economic sector - manufacturing, finance, services, retail and others — US corporations are well in the lead in ownership of the global economy. Overall, their ownership is close to 50 percent of the total. That is roughly the maximum estimate of US national wealth in 1945, at the historical peak of US power. National wealth by conventional measures has declined from 1945 to the present, to maybe 20 percent. But US corporate ownership of the globalized economy has exploded.

The standard line of mainstream politicians is that globalization benefits everyone. Yet, globalization produces winners and losers, as Branko Milanovic's book Global Inequality has shown, so the question is this: Is success in globalization a matter of skills?

Chang: The assumption that globalization benefits everyone is based on mainstream economic theories that assume that workers can be costlessly re-deployed, if international trade or cross-border investments make certain industries unviable.

In this view, if the US signs NAFTA with Mexico, some auto workers in the US may lose their jobs, but they will not lose out, as they can retrain themselves and get jobs in industries that are expanding, thanks to NAFTA, such as software or investment banking.

You will immediately see the absurdity of the argument — how many US auto workers do you know who have retrained themselves as software engineers or investment bankers in the last couple of decades? Typically, ex-auto-workers fired from their jobs have ended up working as night-shift janitors in a warehouse or stacking shelves in supermarkets, drawing much lower wages than before.

The point is that, even if the country gains overall from globalization, there will always be losers, especially (although not exclusively) workers who have skills that are not valued anymore. And unless these losers are compensated, you cannot say that the change is a good thing for “everyone”....

Of course, most rich countries have mechanisms through which the winners from the globalization process (or any economic change, really) compensate the losers. The basic mechanism for this is the welfare state, but there are also publicly financed retraining and job-search mechanisms — the Scandinavians do this particularly well — as well as sector-specific schemes to compensate the “losers” (e.g., temporary protection for firms to promote restructuring, money for severance payments for the workers). These mechanisms are better in some countries than others, but nowhere are they perfect and, unfortunately, some countries have been running them down. (The recent shrinkage of the welfare state in the UK is a good example.)

In your view, Ha-Joon Chang, is the convergence of globalization and technology likely to produce more or less inequality?

Chang: As I have argued above, technology and globalization are not destiny.

The fact that income inequality actually fell in Switzerland between 1990 and 2000 and the fact that income inequality has hardly increased in Canada and the Netherlands during the neoliberal period show that countries can choose what income inequality they have, even though they are all faced with the same technologies and same trends in the global economy.

There is actually a lot that countries can do to influence income inequality. Many European countries, including Germany, France, Sweden and Belgium are as unequal as (or occasionally even more so than) the US, before they redistribute income through progressive tax and the welfare state. Because they redistribute so much, the resulting inequalities in those countries are much lower.

Noam, in what ways does globalization increase capitalism's inherent tendencies toward economic dependence, inequality and exploitation?

Chomsky: Globalization during the era of industrial capitalism has always enhanced dependence, inequality and exploitation, often to horrendous extremes. To take a classic example, the early industrial revolution relied crucially on cotton, produced mainly in the American South in the most vicious system of slavery in human history — which took new forms after the Civil War with the criminalization of Black life and sharecropping. Today's version of globalization includes not only super-exploitation at the lower tiers of the global value chains system but also virtual genocide, notably in Eastern Congo where millions have been slaughtered in recent years while critical minerals find their way to high-tech devices produced in the global value chains.

But even apart from such hideous elements of globalization ... pursuit of the "vile maxim" quite naturally yields such consequences. The Phillips study I mentioned is a rare example of inquiry into "how inequalities are produced and reproduced in a [global value chains] world [through] asymmetries of market power, asymmetries of social power, and asymmetries of political power." [As Phillips shows](#), "The consolidation and mobilization of these market asymmetries rests on securing a structure of production in which a small number of very large firms at the top, in many cases the branded retailers, occupy oligopolistic positions — that is, positions of market dominance, and in which the lower tiers of production are characterized by densely populated and intensely competitive markets.... The

consequence across the world has been the explosive growth of precarious, insecure and exploitative work in global production, performed by a workforce significantly made up of informal, migrant, contract and female workers, and extending at the end of the spectrum to the purposeful use of forced labour.”

These consequences are enhanced by deliberate trade and fiscal policies, a matter discussed particularly by Dean Baker. [As he points out](#), in the US, “from December 1970 to December of 2000, manufacturing employment was virtually unchanged, apart from cyclical ups and downs. In the next seven years, from December of 2000 to December of 2007, manufacturing employment fell by more than 3.4 million, a drop of almost 20 percent. This plunge in employment was due to the explosion of the trade deficit over this period, not automation. There was plenty of automation (a.k.a. productivity growth) in the three decades from 1970 to 2000, but higher productivity was offset by an increase in demand, leaving total employment little changed. This was no longer true when the trade deficit exploded to almost 6 percent of GDP in 2005 and 2006 (more than \$1.1 trillion in today’s economy).”

These were substantially consequences of the high-dollar policy and the investor-rights agreements masquerading as “free trade” — among the political choices in the interests of the masters, not the results of economic laws.

Ha-Joon Chang, progressives aim to develop strategies to counter the adverse effects of globalization, but there is little agreement on the most effective and realistic way to do so. In this context, the responses vary from alternative forms of globalization to localization? What’s your take on this matter?

Chang: In short, my preferred option would be a more controlled form of globalization, based on far more restrictions on global flows of capital and more restrictions on the flows of goods and services. Moreover, even with these restrictions, there will inevitably be winners and losers, and you need a stronger (not weaker) welfare state and other mechanisms through which the losers from the process get compensated. Politically, such a policy combination will require stronger voices for workers and citizens.

I don’t think localization is a solution, although the feasibility of localization will depend on what the locality is and what issues we are talking about. If the locality in question is one village or a neighborhood in an urban area, you will

immediately see that there are very few things that can be “localised.” If you are talking about a German land (state) or US state, I can see how it can try to grow more of its own food or produce some currently imported manufactured products for itself. However, for most things, it is simply not viable to have the majority of things supplied locally. It would be unwise to have every country, not to speak of every American state, manufacture its own airplanes, mobile phones, or even all of its food.

Having said that, I am not against all forms of localization. There are certainly things that can be more locally provided, like certain food items or health care.

One final question: The idea of a universal basic income is slowly but gradually gaining ground as a policy tool in order to address the problem of poverty and concerns over automation. In fact, companies like Google and Facebook are strong advocates of a universal basic income, although it will be societies bearing the cost of this policy while most multinational firms move increasingly to using robots and other computer-assisted techniques for performing tasks traditionally done by labor. Should progressives and opponents of capitalist globalization in general support the idea of a universal basic income?

Chang: Universal basic income (UBI) has many different versions, but it is a libertarian idea in the sense that it puts emphasis on maximizing individual freedom rather than on collective identity and solidarity.

All citizens in countries at more than middle-income level have some entitlements to a basic amount of resources. (In the poorer countries, there are virtually none.) They have access to some health care, education, pension, water and other “basic” things in life. The idea behind UBI is that the resource entitlements should be provided to individuals in cash (rather than in kind) as much as possible, so that they can exercise maximum choice.

The right-wing version of UBI, supported by Friedrich von Hayek and Milton Friedman, the gurus of neoliberalism, is that the government should provide its citizens with a basic income at the subsistence level, while providing no (or little) further goods and services. As far as I can see, this is the version of UBI supported by the Silicon Valley companies. I am totally against this.

There are left-wing libertarians who support UBI, who would set its level quite high, which would require quite a high degree of income redistribution. But they

too believe that collective provision of “basic” goods and services through the welfare state should be minimized (although their “minimum” would be considerably larger than the neo-liberal one). This version is more acceptable to me, but I am not convinced by it.

First, if the members of a society are collectively provisioning some goods and services, they have the collective right to influence how people use their basic entitlements.

Second, provision through a citizenship-based universal welfare state makes social services like health, education, child care, unemployment insurance and pensions much cheaper through bulk purchases and pooling of risk. The fact that the US spends at least 50 percent more on health care than other rich countries do (17 percent of GDP in the US compared to at most 11.5 percent of GDP in Switzerland) but has the worst health indicators is very suggestive of the potential problems that we could have in a system of UBI combined with private provision of basic social services, even if the level of UBI is high.

Chomsky: The answer, I think, is: “it all depends” — namely, on the socioeconomic and political context in which the idea is advanced. The society to which we should aspire, I think, would respect the concept “jedem nach seinen Bedürfnissen”: to each according to their needs. Among the primary needs for most people is a life of dignity and fulfillment. That translates in particular as work undertaken under their own control, typically in solidarity and interaction with others, creative and of value to the society at large. Such work can take many forms: building a beautiful and needed bridge, the challenging task of teaching-and-learning with young children, solving an outstanding problem in number theory, or myriad other options. Providing for such needs is surely within the realm of possibility.

In the current world, firms increasingly turn to automation, as they have been doing as far back as we look; the cotton gin, for example. Currently, there is little evidence that the effects are beyond the norm. Major impacts would show up in productivity, which is in fact low by the standards of the early post-World War II era. Meanwhile there is a great deal of work to be done — from reconstructing collapsing infrastructure, to establishing decent schools, to advancing knowledge and understanding, and far more. There are many willing hands. There are ample resources. But the socioeconomic system is so dysfunctional that it is not capable

of bringing these factors together in a satisfactory way — and under the current Trump-Republican campaign to create a tiny America trembling within walls, the situation can only become worse. Insofar as robots and other forms of automation can free people from routine and dangerous work and liberate them for more creative endeavors (and, particularly in the leisure-deprived US, with time for themselves), that's all to the good. UBI could have a place, though it is too crude an instrument to achieve the preferable Marxist version.

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