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CHAPTER FOUR

Projecting the trends: another dystopia?

In this chapter observable trends are deliberately pushed to see where they might lead. In the later decades of the twentieth century, and the first decade of the twenty-first century, there were developments which to this writer seemed ominous. They carried a potential for serious disruption of existing orders. They were not just developments within states – the developed states are the focus here – but developments in a globalized international society. These arguments might be seen as a commentary on the case for stronger international governance.

It had been pointed out many times since the 1960s that the international economy was morphing from a system of linked national economies into a system which in many ways was a single international economy. By the early twenty-first century this process had been taken a stage further. The single world economy had now been populated by formidable creatures with formidable powers which were not just capable of getting what they wanted for themselves but could also impose upon state governments and impoverish their populations. It was as if the world had turned into eighteenth century India and the East India Company had spawned a clutch of siblings, which, separately and in alliance with each other and state authorities, could drain out wealth, and head off protest. The formidable creatures were the massively endowed multinational companies which concentrated capital, bought up national companies greedily and submitted them to the will of the new international class of managers.

In the world of the globalized economy governance was even more inadequate than in the 1960s in relation to the forces and flows that needed to be governed. Indeed the scale of the problem had massively increased with the increasing scale of mobile private equity, increasing multinational concentrations of manufacturing companies and banks, and the extra-national ownership of key enterprises within states, such as public utilities, water, gas and electricity. In Britain ports were now owned by the state of Dubai, and defence facilities such as nuclear installations and defence training grounds were run by American companies. The British Airports Authority was bought in 2006 by the Spanish conglomerate Ferrovial. It was rumoured that

one of the main centres of the BBC, Bush House, was owned by a Japanese company which leased back the building. These were new developments. No one knew where they might lead. Some observers were uneasy that economic arrangements were being made that were not fully understood, new forces for instability had been unleashed, and risks taken with national sovereignty. But governments and public authorities did nothing. Generally there was complacency which culminated in the great crash of 2008. No attempt was made to outlaw practices that took the international economy closer to the point of collapse.

But developments across a broad front, not just economic ones, are relevant to this account of an emerging dystopia. This is important because too much analysis has been one-dimensional. Neoliberal economists have stressed only the economic aspects of the increasing level of transnational investment and have left its political and social implications largely unconsidered.

Surveillance

Britain had taken the lead among the states of Europe in the early twenty-first century with regard to the extent to which individuals were subjected to surveillance as they went about their daily lives. The existing mechanisms for supervision included the placing of cameras in public places. Some were to deter and detect crime where there were particular temptations such as banks or art galleries. Others were to record the movement of individuals in public places, such as streets or parks, not so much to check actual wrongdoing, though this might be the case, but rather to capture the movement of people whom the authorities had decided should be observed. The effect of this, it was claimed, was that most British were under surveillance for 90 per cent of the time they were outside their own homes. On the main roads of Britain cameras were installed as part of a national system for enforcing the speed limit, but also to record the movements of cars. The latter could assist with the pursuit of those suspected of having committed an offence. (Ironically when police behaviour was in question, as in the G20 demonstrations in London in April 2009, photographs from mobile phones, not CCTV cameras, provided the evidence.)

The system for dealing with car parking offences required that notice of an offence, and demand for payment of a fine, should be given directly to the driver or affixed to the offending vehicle. As with speeding offences the courts would only be involved if the accused decided to defend the charge.

In early 2008, however, this power was extended. Local Councils were given the power to levy fines for offences detected by street cameras. The accused would not be aware of the charge until the penalty claim arrived through the post. He/she would be at a severe disadvantage with regard to establishing innocence or mitigating circumstances since the charge would only appear as much as two weeks or more later. The balance of advantage with regard to any resulting legal charges was increasingly on the side of the authorities. This was part of a more general trend towards undermining the traditional assumption that the accused was innocent until proved guilty.

But this was only one, perhaps even a minor, aspect of national surveillance. Governments were pushing to extend it over a broad front. A series of laws had been passed, often without the members of the House of Commons becoming fully aware of their significance, which allowed further intrusions into the privacy of the individual. It was agreed that the police could now take samples of the DNA of individuals who were questioned about a crime even if they were not charged. The idea was to build up a national register of DNA records against which the DNA of future malefactors could be checked. By 2007 about 4.1 million samples were on the database – more than any other western country – and some senior police officers and judges proposed going on to add the DNA evidence of every UK citizen and every visitor.¹ It was being collected at the rate of 30,000 samples a month. It was made much easier for the police to intercept messages between individuals such as emails, and to eavesdrop on phone conversations. A British court also agreed that evidence obtained through torture outside the United Kingdom could also be admitted if it provided evidence of proposed acts of terrorism.

Just as worrying from the point of view of individual freedom was evidence of the increasing monitoring of people at work. In January 2007 it was reported that 52 per cent of UK employees were subject to computer surveillance at work (Economic and Social Council, 'Future of Work Programme', reported in *The Observer*, 13 January 2008, Business section, P8). Employers were determined to squeeze more labour out of fewer workers. Technology was indeed helping to increase productivity, but not just by making work faster but also by being more efficient. It was increasingly being used to make it more intense and in consequence more stressful. In addition to spending more time at work than workers in any other EU state, British workers were now being required to work harder under hands-on taskmasters. No doubt this kind of surveillance would become standard practice throughout the developed world.

It was surprising how frequently any opposition to increasing surveillance met the retort provided by authoritarian regimes everywhere: ‘if you have nothing to hide you have nothing to fear’. There were two obvious practical objections. First what happened when individuals refused to offer an example of DNA? Were they to be forced to comply? Even when the alleged crime was as minor as dropping a piece of litter in a public place? Second it was often unclear whether such data collection would help or hinder the judicial process. It could be extremely useful as with cases of rape or murder. But it was not the infallible route to the truth. Criminals would be quite capable of collecting body tissues from someone they wished to finger and placing it at the scene of a crime. Data in the wrong hands could be used to help with the committing of crime. A moment’s thought would suggest that the collection of everyone’s DNA was hardly worth the effort or expense. Unfortunately a good number of senior police officers and politicians had not found this moment.

There was also progress towards establishing an identity card for individuals which would include a wide range of data. The full extent of this has not yet been agreed, but it would include health records, as well as evidence on past misdemeanours, and contacts with the social services. The new system would also allow public authorities to have access to information collected about individuals by other authorities. An act was passing through the House of Commons in early 2009 which would allow public authorities to share all collected data about individuals with each other – from health data, employment records, financial records to information about computer usage and travel. The proposals were sufficiently ambitious as to arouse the strongest suspicions of the defenders of our traditional liberties.

Nevertheless the government decided to require all non-British UK residents to have an identity card, and in the next few years groups working in sensitive areas, such as airport staff, would be required to have one, and by 2010 young people would be able to choose to do so. Social networking sites such as Facebook, My Space and Bebo could also be required to disclose data. The policy Director of the lobby Liberty, Isabella Sankey, commented that ‘the proposed central communications database is a terrifying prospect. It would allow the Government to record every email, text message and phone call.’² Despite general opposition in the country, and a failure to get a clear mandate from Parliament, the government nevertheless ploughed ahead with the cards. In future individuals were required to be able to show 19 pieces of information,

including mobile phone and credit card numbers, when wishing to travel abroad. One comment was that 'after a decade the account shows a devastating loss of the freedoms that we once regarded as our birthright.' 'An almighty surveillance structure is envisaged'³ though Parliament seemed casually indifferent to this.

Many of the ancient rights of British citizens, such as the right of habeas corpus (the right not to be held in prison without being told the reason), the right not to be tried twice for the same offence, the right to conceal previous offences in a current trial and the right to silence – the British equivalent of the American fifth amendment – were all casually abandoned by the New Labour government. All of these developments were part of a pattern of demanding increasing public disclosure and limiting the right to privacy. An increasing number of organizations, including public utilities, were granted the right to enter private houses without the approval of the home owner. For many this extension of surveillance and the curtailment of civil liberties was a reminder of the society described in George Orwell's *1984*.

The defence of these new ways was that they were a necessary part of the equipment needed to deal with modern crime, and particularly terrorism. Whether or not this was true was hotly disputed. Perhaps they arose simply because they were now technically possible. The balance to be struck between the help they gave to the police and their negative impact on civil liberties was hard to calculate. Although in principle everyone was subject to the same increases in surveillance and curtailment of civil liberties, in practice one group, even though it was itself under surveillance, had the power to undertake surveillance over the other; and the other group, the vast majority, did not have this power. Individuals were constantly thwarted in their attempts to discover how much information about themselves authorities had in their possession. The government of Tony Blair had introduced a Freedom of Information Act, but the scope of this act was then reduced. Governments quickly became frightened about what might become known about their ways, particularly about those whose advice they sought in policy making. Individual members of parliament tried to retreat from the terms of the Act with regard to their communications with constituents. The effect was that a great amount of information was collected which was kept secret from its subjects. The Freedom of Information Act did lead to easier access to some information, but the use of the Act was being restricted, due to charges for its use and the need for specialized knowledge, as well as huge determination, to exploit its possibilities.

In sum, surveillance led to the restriction of personal liberties for the individual and an increasing power for public authorities. It became easier to make proposals which would have been abhorrent in earlier times, such as making illegal any act that had not been explicitly made legal. This ludicrous proposal could now look serious. A person's home was no longer his or her castle but could be defended only in so far as the state permitted.

In the age of terrorism some of these measures might be defended as necessary, but they indubitably gave greater powers to the authorities, and the safeguards against their unreasonable use often seemed fragile. Sometimes the approval of a judge was needed, for instance when the police wished to hold a suspect for more than 28 days. There was constant pressure from the government to increase this period to 42 and then to 56 days. Too often the public was asked to rely on little more than the goodwill of the surveillance authority, trusting that it would not abuse its powers.

What were the social costs of increasing surveillance?

- Knowing that public protests/demonstrations were planned would permit more effective restraints and prohibitions and surveillance made it more difficult for protest to be effective. Leaders could be warned and threatened before the event. It was already the case that the police took and kept photographs of individuals at public demonstrations, regardless of whether they were peaceable or not. There were fears that the police in London were not merely acting as neutral marshals of large protests but were now actively siding with the authorities against the protesters.⁴ Undoubtedly some police now looked forward to a good punch up, and in the G20 protests in London in April 2009 actually wore masks to conceal their identity. The law had already been changed to make it necessary to have police approval for public protests in certain areas, such as Parliament Square or ground adjacent to defence installations such as radar facilities. Two elderly women had been arrested and briefly imprisoned for protesting at the perimeter of the Mendwith Radar station in Yorkshire about the location in this country of parts of the new US star-wars system. The vast majority of people in Britain were opposed to this, but the government had powers to approve such systems in secret and force them upon the public.
- Making it more likely that information about individuals from the past could be kept in view, thus stopping promotion or new employment, and making it more difficult for offenders to start again. It was indeed necessary that police checks should be made before the appointment of individuals to

particular jobs. Paedophiles had to be kept away from working with children. A criminal record for robbery was an unlikely qualification for a bank manager. But the danger was that computer held information could be accessed by unauthorized individuals as a matter of routine who could then use it simply in order to damage the reputation of a rival, say, for a job or an election, and not because the individual was unsuitable. The promises of the government that effective mechanisms would be in place to prevent this were laughable. The operative rule was the obvious one – Murphy’s law – which states that if something could go wrong it would. And too often things had gone wrong with the government’s data systems.

- The experience in Britain was such that there could be little confidence that data could be kept confidential. In 2007 a wide range of personal information about newly qualified doctors seeking employment had accidentally been made openly accessible on the Internet. Another example was the loss of several computer discs which included private information of individuals receiving income support. In the nature of things, it was a certainty that data placed on the national register for individual identity cards would become accessible to unauthorized agents, including those with criminal intent. The government had a naïve misplaced confidence in its ability to protect data. Those taking the decisions had little knowledge about the new technology and could easily be taken for a ride by the computer salesmen, who of course were all too ready to assure the politicians that all would be well.
- Private companies could make a point of obtaining access to the whole range of information about individuals kept by public authorities. There was the danger that the situation would arise in which any company could obtain a complete set of personal information about every individual in the country whenever it wished. The crooked dealing made possible by this could be readily imagined. Credit rating agencies already collected a massive amount of information about whether individuals could service their debts: whether they were credit worthy or not. Much of the information was curiously constructed, so that it did not seem relevant to its purpose. Some of it was also inaccurate. Imagine the situation if all available personal information could be accessed and held on file by such agencies – especially if the individual affected had in practice little capability for checking the accuracy of the information held. The further danger existed that such data could fall into the hands of governments and individuals outside the country.

- Identity cards were not a certain proof of identity and gave new opportunities to those with criminal intent, who wished to take on another identity. It was not just that there was no guarantee that access to the computers holding the data could not be engineered. The skill of computer hackers was frequently underestimated, leaving those who thought their computers were secure with egg on their face. But there was no guarantee that the new identity cards could not be forged. This would make the card just another difficulty in the way of establishing true identity, rather than a way of simplifying the process.

The conclusion is hard to avoid that the great increase in surveillance and the resulting collection of personal data made it easier for public authorities as well as companies to exploit individual citizens. It became more probable that there would be casual injustice. It became easier for governments to head off what they found disagreeable and for companies to identify and exploit commercial opportunities. The level of unfairness experienced by honest individuals would be massively increased. If one had nothing to hide one needed to be particularly concerned.

Private global governance and state power

In the later part of the first decade of the twenty-first century observers were alarmed by the increasing foreign ownership and management of companies in Britain. It was not just that companies in services and production were falling into foreign hands, but so were utility companies. One analyst commented that ‘the biggest single change in the structure of British industry in the past 20 or 30 years [is] its drift into foreign ownership.’⁵ Such invasions of foreign capital were defended by the British government as reflections of its commitment to the liberalization of the global economy. But British overseas investors were not acquiring a similar status in other developed economies. On 4 March 2008 the Office of National Statistics reported that the value of UK-based companies bought by foreign predators reached £81.4 billion in 2006, the highest level ever. The British had spent £58.1 billion on foreign companies (*The Independent*, 5 March 2008). The British attitude was a reflection of a prejudice in favour of greater liberalism, and a blind faith in its benefits, rather than of a careful calculation of costs and benefits, and a balancing of British investments abroad and inward investment at home.

Little attention was given to the dangerous aspects of this invasion of foreign capital. It was an aspect of not only the greater power and mobility of capital but also its greater concentration. It was possible precisely because of a tendency to concentration of capital. This was noticeable particularly in banking and in agri-businesses, but was detectable in a range of other industries such as the manufacture of cars. In 2009 it remained to be seen whether the global economic crisis had challenged this. It was also apparent in service industries such as insurance and in the appearance of investment capitalists commanding massive amounts of private equity. Sometimes the bonds of concentration were visible sometimes they were not.

The risks attendant on such developments were invisible to economists, especially those of a neoliberal persuasion, because they were political, social and lifestyle risks rather than economic ones. The economists tended to be happy if they saw that the pie increased. What they saw less often was the social damage which the activities of such concentrations could do in a liberalized world. This is discussed frequently elsewhere in this book. Less obvious were the lifestyle costs as with damage resulting from the concentration of the ownership of land and food production in the hands of small numbers of massive agri-businesses. These were likely to have little time for the positions of those who opposed the use of genetically modified seed, or who preferred finer and rarer types of meats and vegetables. In abandoning all support for farmers in the developed world governments risked handing its control to massive multinational private monopolists. In the poorest countries, land would be bought and production re-tooled to serve the world market with a narrower range of foodstuffs. In countries such as Paraguay large tracks of forest had been cleared by big agribusiness in order to grow soya for biofuels. (Information from the BBC documentary series, *Tropic of Capricorn*.) The environmental damage that this could do in places like Africa would be considerable.

But there was another more serious danger behind this concentration of capital in a liberalized global economy. That was a political danger. The international political system of the future may acquire new and formidable players made up of coalitions of the private multinational companies and links between them and governments of various political persuasions and size. The precursor for this development was the British East India company as it operated before the Great Mutiny of 1857. It was a company which had state-like powers, increasingly dominating in India and increasingly capable

of bending the will of the British government. It was also in effect an agent and ally of the British government.

In the twenty-first century the appearance of what were called sovereign funds was hardly noticed. These were investment funds which were financed by national governments and were directly under their control. They included Temasek, owned by the Singapore government, the Qatari-owned Qatari Investment Authority and Dubai International Capital. Sovereign funds also moved into alliance with private investment companies. For instance Dubai International Capital bought a 9.9 per cent share in the New York Hedge Fund Och Ziff on 31 October 2007 (*The Independent*, 31 October 2007). In late November 2007 Citigroup was rescued – for the time being – from serious financial trouble by a \$7.5 billion investment by the Abu Dhabi sovereign investment fund (Hamish McRae, *The Independent*, 28 November 2007). As US banks ran into problems with debt they increasingly turned to sovereign funds to help them out. The sovereign funds could make decisions quickly, because they were run by a small number of people, often only a single individual.⁶ They could be rightly described as the ‘new power barons’, riding to the rescue of run down western financial institutions. These were small scale compared with what was to come: the Chinese government had begun to develop a sovereign investment fund to buy up foreign companies. There were private companies which were close to government, such as Exxon and Halliburton, which had close links with members of the Bush administration. But there were now powerful investment vehicles which were investment arms of national governments.

Direct investment helped the British economy, if only because it bought in foreign management to replace ‘incompetent, amateurish home-grown management’.⁷ But the risks were also considerable. Of all the European economies the British economy had become the most involved in the global economy. The dangerous side of this was that there was a lack of effective management of the global economy. It lacked effective governance, was very inadequately supervised and was at the mercy of unscrupulous risk takers. It was as if the British government had opted to climb aboard a vehicle which had lost its brakes and steering but was accelerating rapidly.

In Europe a looming giant was Gazprom, managed by the deputy of Russian President – later Prime Minister – Vladimir Putin, and said to be the second biggest company in the world. In 2007 this company was already the sole supplier of gas to a number of European countries, such as Finland and

Slovakia, and it was anxious to take over national energy companies including those in the United Kingdom. The dangers of succumbing to such companies were apparent. In February 2008, and again in January 2009, Gazprom threatened to cut off gas supply to Ukraine – the most recent of a series of such episodes – nominally because of a disagreement about payment but more likely in an effort to put political pressure on President Victor Yushchenko’s pro-Western government. *The Independent* newspaper warned about the dangers of becoming too dependent on Russian gas. “The sad fact is that Europe has allowed itself to sleep walk into an ever-growing dependence on Russia for its energy and that this relationship now circumscribes our ability to influence, let alone criticize, the Kremlin.” (Editorial, *The Independent*, 11 February 2008).

Why should the increasing role of sovereign funds matter? In the case of Gazprom the answer is obvious: a threat to cut off or limit the supply of gas is a powerful foreign policy tool. OPEC used its control of the supply of oil to influence Western attitudes towards Israel in the 1973 Yom Kippur war. Sovereign funds which have a controlling investment in the supply of scarce commodities like copper, zinc and tungsten have comparable power. Arrangements similar to OPEC were threatened for such essential materials in the 1970s as part of the New Economic Order proposed by a coalition of developing states. The World Economic Conference in Paris in the mid-1970s succeeded in heading off these proposals, but alliances of material suppliers could now be formed under the leadership of a country such as China, or one or other of the Middle East states. A threat by the government of Dubai to impose a charge on containers entering Felixstowe could be a way of putting pressure on the British government, though coalitions of key raw material suppliers would be more threatening. Pressure in Felixstowe together with the exploitation of Chinese interests in Africa, say with regard to the supply of Katanga copper, could persuade the British that supporting Taiwan in a period of Chinese pressure was not worth the candle. A further development could be imagined: sovereign funds could ally with private funds to gain control of key industries in a target state. Just as the East India Company gained control of the Indian trade in spices and other valuable commodities, so a coalition of investment companies could gain control of the European aircraft industry.

In cahoots with governments companies could now become a geostrategic threat. They were capable of forming alliances with each other for political as

well as economic purposes, and governments could suddenly find themselves in effect under the control of a coalition, made up, say, of Gazprom, other companies with holdings of the victim's national assets, and, say, a Middle Eastern government. It has to be said that the movement was not all into the West. It was reported that US Private Equity companies were negotiating to buy a minority stake in China's Social Security Fund (*The Independent*, 31 October 2007). But such companies would be well capable of committing resources to the establishment and maintenance of client governments. There would then indeed be international governance of the global economy but not quite of a type which national governments in the West would have preferred.

Such developments regarding private companies, especially when linked with governments, threatened the capacity of states for independent action. Any government which commanded significant resources might play this game, but the government with the largest resources, the USA, was likely to be the best player. Matthew Parris wrote of the US attempts to prevent the development of the Galileo system by the Europeans, since it could undermine US monopoly of satellite global positioning technology, which provided a significant military advantage. Parris wrote that the strength of US hostility alerted the Europeans to the need for a separate capability. He added: 'We become so easily aerated over constitutional changes that may appear to threaten what we call our "sovereignty". These make the headlines. But beneath the headlines, technological and commercial shifts – quiet but continuous – can leach autonomy away in less sensational by finally compelling ways.' (Matthew Parris, *The Times*, 3 November 2007, p. 19). An American company, Raytheon Systems, had become the main contractor for new British travel security systems, at a cost of £1.2 billion. Coincidentally this same company was a significant contributor to security research at the New Labour think tank, the Institute for Public Policy Research.

The precursor of the leaching of sovereignty by private enterprise would be the fruit company Fyfes and its control of Guatemala – the original banana republic. Modern concentrations of capital have created the possibility that many more states could become banana republics. This could be a game in which some governments would happily become involved. They could work with the companies covertly to move the tectonic plates of international politics, creating and destroying alliances, determining the areas which were to be prosperous and those that were to remain as cheap labour. They would be

the instruments of the super-rich, making the political arrangements and policies of states seem fragile and unimportant, and their attempts to achieve social justice futile.

The rich, poverty and crime

Most observers would agree that extreme differences between the richest and the poorest in society are likely to be associated with an increase in crime of some kind among the poorer classes. Those who have different views may be safely regarded as eccentric. Mrs Thatcher insisted that the increase in crime during her time as Prime Minister was nothing to do with the increasing visible wealth of some citizens and the increasing number of those who were very poor. It was, she insisted, entirely to do with a lack of proper values, the decline of morality among the less successful.

There is, though, a strong link between extreme poverty and increasing resort to violence and theft, though this might take several forms. It may be seen in increasing normal crime rates, such as crimes involving theft of property or violence against the person, such as mugging. It might also take the form of revolution, as when there is a spontaneous and general eruption of protest, probably violent protest, against authority. In support of this view is the evidence that crime increases as the gap between the median income of the rich and that of poor increases, and that revolution tends to occur in societies with great disparities in wealth. In January 2009 one commentator expressed surprise that there had not been any stronger public protest in Britain about the excessive greed of bankers and investment institutions and the resulting crash of the world financial system (Simon Caulkin, 'It's got so horrible that we ought to be revolting', *The Observer*, Business Section, 11 January 2009, p. 8).

The characteristics of these kinds of crime are that they involve a jealous reaction to the observation of what seems to be the unreasonable wealth of others, the appearance of a feeling of entitlement – that the criminal has a right to what the rich possesses – and identification with a larger group of the deprived. There are some exceptions to the latter, but waves of criminal behaviour in this sense are linked with broader social movements, and are not just a reflection of the envy of the rich on the part of a few eccentrics. Some crime, such as terrorism, is excluded from this definition, since terrorism has an ideological character and specific political goals. Surprisingly perhaps the appearance of gang warfare may well be included as it is usually the result of

the wish to establish the ownership in some sense of a territory claimed by another gang. It is a functional equivalent of the search for wealth.

Revolution in the sense of a massive protest against an existing regime has usually been instigated by the middle class not the poorest in society. When one group becomes hugely richer than the mean of the middle income group it is more likely that there will be active protest eventually and that this will turn violent, unless there are strong countervailing restraints. The poorest groups are less likely to protest, but may begin to do so in alliance with the middle income group if their circumstances begin to improve. This was the observed pattern in France in the late eighteenth century and in Russia in the early twentieth century. The poorest group, until things begin to improve, is locked in poverty that is so abject that its members are likely to be deeply resigned. They may also be held in a traditional society in which there is a strong sense of deference to the local rulers. That India is a country made up of villages is important in keeping it relatively stable despite the abject poverty of most of its people. In this situation it is difficult to start a mass movement of protest against rulers which links the poor of many villages together. Some traditional rulers in India have been viciously determined to stamp out any local movements, such as trade unionism, which could lead to effective protest.

The danger of more strident – possibly even violent – protest against the super-rich increases when the middle class begins to feel that things are becoming unbearable, and when the poorest elements have been mobilized by some degree of improvement in their circumstances. Several other developments could assist with the process of mobilization of these two groups. One is the feeling of entrapment due to increase in surveillance and the unreasonable extension of the powers of authority. Another is the observation that the super-rich have fixed the rules of economic competition in their efforts to get rich – that they and government have colluded in fixing the terms of the game to their advantage, as with investment and free trade. This could strike one as a fair conclusion to draw from the Bush administration's enormous tax hikes in favour of the rich, the opening of national parks to the exploitation of pro-Bush companies, the impossible domination of right wing agendas in the media, the peculiarly low level of representation of the sons of the rich in the US army, as seen in Iraq, the increasing difficulty in obtaining a reasonable level of pension provision and the inadequacy of health provision for middle income families.

It is difficult to be clear about the catalyst which could lead to a more active and organized movement of protest, and how far this could involve violence. But it is clear that economic and social circumstances in the United States, and perhaps in the United Kingdom, have moved in that direction. In Europe the countries which are probably furthest away are the Scandinavian countries and Holland, where income differentiation, though increasing, is relatively modest. The United Kingdom is probably the closest because of massive and increasing differentiation. But 'it seems clear that the more unequal a society the greater the sense of disaffection' (Will Hutton, *The Observer*, 2 September 2007). One authority concluded that the kind of inequality which was becoming common in the United States and the United Kingdom in the early twenty-first century also led to a futile race among the better off to outdo each other in extravagance.

Freedom and oppression

In 1939 E.H. Carr published a book about the drift to war in the 1930s, *Twenty Years' Crisis*, which became a classic of its kind.⁸ The main theme was a criticism of the liberal/rational approach to international relations which held that peace would be preserved by rational people working through the League of Nations and seeking the resolution of disputes between states through diplomacy. The underlying assumption of this approach was that war was always an irrational approach to problems and that a peaceful solution was always possible. Carr pointed out that much depended on the view which was taken about the overall character of the society of states, and that in the 1930s it made sense to take a different, realist view. The world was simply not the kind of place where rationalist and liberal approaches could work. This might change, but not yet.

Carr argued that in the society of states war could be a rational response to the problems they faced. For instance there were strong explanations of the resort to war by the Japanese in the 1930s. The Japanese lacked raw materials and oil in their own state, and needed to import these from elsewhere. They also needed new markets where they could sell the products of their expanding economy. Attempts to prevent the Japanese from obtaining necessary resources and markets were bound in the world of states to result in increasingly aggressive attempts to obtain them. Japan became increasingly hostile towards the United States, which seemed determined to prevent Japanese access to essential raw materials. Satisfied states, like

Britain, the United States, and France were inclined to think that the existing international order was fine, and the Japanese should be content with what they had. This view was repugnant to the dissatisfied states. Germany and Japan, found it intolerable.

This preamble introduces the following five propositions:

- Actors which find the existing order to their liking are baffled by the attitude of other actors which are dissatisfied.
- The satisfied actors will resist the attempts of the dissatisfied actors to change the order so that it is more to their liking.
- The satisfied actors are likely to be the strongest in the system.
- The strongest actors will strive for a system which is as open as possible, where regulations are at a minimum, and where rivals can be kept in check, and their own powers exercised freely. They are likely to get stronger as long as that system endures.
- It is rational for the weaker actors to seek to modify the principles of the international order, in this case the economic order, which favour the rich and powerful, by any means available to them. This is merely a version of common arguments about the balance of power which holds that a dominant state will strive to protect and increase its ability to dominate, but other states will emerge as balancers. In modern terms the United States protects its dominance; it is likely that a rival will appear to balance the United States, such as Russia, China or even the EU; the United States resists this tendency.
- As with power politics in the 1930s there is constant tension between those who want to protect the existing system and those who want to change it.

In sum: dominant economic agencies, governments or companies, or both together, will attempt to remove restrictions on their ability to further extend their economic power. Their view is likely to be that the international economy will be improved by removing all restrictions on trade or investment, all attempts to regulate the market place and all attempts to impose levies on economic flows to pay for non-economic purposes such as social welfare. Neoliberalism as a view of the economic world order is akin to realist views of relations between states. The two ideologies tend to go together. It is an ideology of the strong. Think of the neoconservatives in the United States. These ideologies suit the most powerful, just as the status quo suited the states which dominated in the inter-war period.

It was consistent with the psychology of neorealists that they were blind to the longer term consequences of practicing neoliberalism. There was no distinction between the rules that should apply in the short term, and those in the long term. They did not countenance that, for instance, unrestrained operations of the market carry social risks which might damage the market in the long term, or that a completely free market might destroy itself. The crisis in the international economic system could have been predicted as easily from looking at *how* neoliberals think as from *what* they think.

Economists such as Joseph Stiglitz, who was the Chief Economist at the World Bank, came to the conclusion that social regulation was necessary as a distinctive operation to oppose the natural tendencies of free market economics to help the strong to get stronger and the weak to become weaker. Similarly it was necessary to have a distinctive set of policies for development since without them wealth would flow mainly upwards to the rich. Unless there were strong social market restraints social justice for poorer states as well as poorer individuals would be undermined.⁹ This was not because the less well off were necessarily less deserving of economic success, but simply because of where they stood in the market place. Free trade, free market economies, freedom to invest and move investments without conditions or restraints favoured the rich and powerful, be they individuals, companies or states, and did not help the poor and weak. As with the dominant states in the 1930s, they could not understand that others were deeply discontent with the existing order. It remained to be seen whether they could be brought to realize this without large-scale violence. Of course neorealists liked to pretend this was not true, and invented half-baked theories to justify the dominance of the satisfied actors: hence the trickle-down effect.

This argument is now illustrated by two case-studies:

1. Liberalization of investment

First the argument can be illustrated by reference to attempts to liberalize international investment in the late twentieth century. The failure of the New International Economic Order (NIEO) in the 1970s was an opportunity to push further liberalization with a less regulated regime for international investment. This led to the attempt to negotiate the Multinational Agreement on Investment (MAI).¹⁰ Although this failed, the arguments presented illustrate the stance of the powerful. The major economic lobbies, dominated by those from the United States, argued that

the regulation of foreign investment created significant economic costs. An investment agreement like the MAI should eliminate controls that existed only to protect special interests. The argument was pressed that everyone would benefit from this, though the definition of special interests was a very wide one and the way in which liberalization would benefit most people was left unclear.

What was being sought was the creation throughout the world of a single deregulated investment space, in which investors would be as safe as they were at home. In order to accomplish this a set of rules were proposed to limit the ability of governments to impose conditions on foreign investment. These rules would curtail a nation's regulatory authority over both foreign and domestic corporations. The basic principle was that of non-discrimination. From the perspective of proponents these rules would do no more than ensure a level playing field for international investors and protect the security of investments in countries that were party to the agreement. From the point of view of the weak – the hosts of the incoming investment – the proposals were intended to eliminate their ability to pursue a social agenda. International investment was a fund which could in principle be tapped to redistribute wealth, just as general taxation could be so tapped within a state. The rules proposed in the MIA were intended to prevent this. They were to protect the rich who provided the money for investment.

Specific rules would include:

- Countries were to be required to treat foreign investors and investments no less favourably than domestic ones. They could not place special restrictions on what foreign investors could own, maintain economic assistance programs that solely benefited domestic companies or require that a corporation hired a certain percentage of managers locally. Laws that had a discriminatory effect against foreign investors would be prohibited whether or not such discrimination was intentional. But there would be nothing to stop governments from treating foreign corporations more favourably than domestic ones (for example, by offering special incentives to attract foreign investment).
- Governments were to treat all foreign countries and all foreign investors equally without favour to one over any other. This would prevent host states from discriminating against investment by companies from countries with poor human rights records. This policy was an attempt by US business lobbies to restrict their own government's actions against countries with

poor human rights records, by for instance requiring that US companies in other countries should follow US law. This was before the time of the George W. Bush administration!

- Performance requirements were to be excluded. These were rules which, for instance, required investors to meet certain conditions if they wanted to establish an enterprise in a particular locale or if they wanted to be eligible for tax incentives or other government aid (for example, low-interest development loans). A requirement that corporations used some percentage of *domestic* inputs was an example of a performance requirement that would be prohibited by the MAI. Performance requirements would be banned even where they applied equally to domestic and foreign firms.
- There was to be a ban on the uncompensated expropriation of assets. The MAI would require signatory governments, when they deprived foreign investors of any portion of their property, to compensate the investors immediately and in full. This might seem reasonable and indeed it was right that simple expropriation should be excluded.

But expropriation would be defined not just as the outright seizure of a property but would also include governmental actions ‘tantamount to expropriation’. Such a rule would appear to exclude any takeover or nationalization of foreign assets. Investors should be able to sue national governments, and seek monetary compensation, in the event that a law, practice or policy violated investor rights, but the case would be heard before an international tribunal rather than in the country’s domestic courts. The proposals would limit the jurisdiction of the host government, not just their ability to impose conditions.

- Governments were to be forbidden from any limitation of an investors’ right to export its profits, by, for instance, moving profits from the operation or sale of a local enterprise to that investor’s home country. Nor could countries delay or prohibit investors from moving any portion of their assets, including financial instruments like stocks or currency. The question of whether an exception would be made in the case of national financial crises had not been resolved when discussions about the MAI were suspended.
- The proposals *did not* include any binding code on the responsibilities of investors regarding fair competition, treatment of employees, environmental protection or other issues. Proponents evaded this issue by arguing it should be tackled in the framework of other international

institutions. There was discussion of including existing OECD codes of corporate responsibility in the MAI, but these provisions would be non-binding. How these various proposals would affect businesses, workers, consumers, the environment and the general public was an area of intense disagreement among opponents and supporters of the agreement.

These proposals in the MAI were illustrative of the kind of goals to which the liberalizers were committed. At the high point of neoliberalism, represented by the so-called Washington consensus in the 1980s into the 1990s, it was regarded as laudable that international investment should be able to impose upon the governments of the developing world to the extent of incorporating them in what was essentially the investor's home territory. They did not obtain formal success in the sense that the MAI negotiations were abandoned without agreement. But they were highly relevant in that they indicated the expectations and aims of investors whenever they sought admission to a country. This was a plan to turn as much of the world as possible into a fiefdom of big business, rather like Cuba before the time of Castro.

It looked as though there had been, in the late 1990s and early twenty-first century, a drift back to the view that there should be *special* policies for development, as well as for social improvement and poverty reduction, as opposed to the universal policies of neoliberal globalism. There had to be special means to help the less fortunate. A freeing of everything would simply help the strong to prosper in the status quo, to protect themselves as the satisfied states. The push towards freeing up the rules on trade and investment would have been fine had it gone along with building a system of global regulation which did not discriminate against less developed states and had a built in social dimension. But this did not happen. Indeed it was matched by deregulation within states.

Development economists noticed that a sharp increase in inequality had coincided with the acceleration of the process of globalization. In the United States, the equalization of income and wealth that took place between 1945 and 1970 had been reversed. In the 1980s and 1990s almost all of the income gains from national economic growth went to the top 5 per cent of American families. It was only after the mid-1990s that the majority of US workers began to see a degree of improvement in their real wages, though this trend

was reversed through the period of the Bush administration.¹¹ On a global scale, in the last 30 years of the twentieth century the richest 20 per cent of the world's population had increased their share of world income from 70 to 85 per cent, while the share captured by the poorest 20 per cent had declined from 2.3 to 1.4 per cent.

These two trends – increasing economic integration and growing inequality – were causally related. The increasing mobility of transnational corporations enabled them to play countries and localities against each other, looking for the lowest cost and the least conditionality, and fuelling thereby a 'race to the bottom'. Environmental standards, workplace safety rules and similar safeguards would be weakened as governments came under increasing pressure to accede to the demands of highly mobile corporations which could always find another place to locate. The Multinational Agreement on Investment had not been formally approved but it became the blue print for big business in all its dealings with the less well off.

2. Liberalization of trade

Second, the argument may be illustrated by reference to free trade. It became a truism that free trade was good for everyone and that tariffs and quotas were bad. There was a considerable body of economics literature by such authorities as James Meade and Jacob Viner to demonstrate the value of free trade. It removed protection from less efficient producers so that they went out of business. This made way in the market for more efficient producers who were able to locate themselves where the cost of manufacturing inputs was lower. The resources used by the less efficient producers could be redirected to other industries where they had a comparative advantage. The specialization of production was encouraged in the larger freer market so that more was produced and products could be sold more cheaply. More people could be employed and paid wages.

The problem, however, was that this was only true up to a point. Successful economies, such as those of the United States, the United Kingdom, Germany and France, developed behind a wall of protection. Likewise modern developing states needed to encourage their infant industries, to give them some cover in their early years so that they might grow strong and compete effectively. Complete openness gave the whip hand to the economies and the companies which were already successful, and made it impossible for the industries of new states to grow to their size. For developing countries the

best arrangement was complete freedom for them to export to developed markets, and continuing protection for their own infant industries. But this was unacceptable to the developed states.

Free trade also encouraged the production of goods for sale in world markets, such as cash crops, rather than goods required in local economies. A good example of this was the production of foods such as *mange-tout* peas as cash crops in Kenya for sale in the United Kingdom. Such practices were diverting resources from the production of food for local or regional consumption, and caused great tensions in the local farming communities.¹² The sensible conclusion must be, not that Meade and co. were wrong, but that the introduction of free trade had to be managed very carefully. The problem was that free trade had become a doctrine, too often accepted uncritically, and without nuance, by the righteous. Indeed complete free trade would certainly help the rich to grow even more dominant and the poor even more abject. In the context of the global economic pressures of 2009 it was important to resist any general resort to protectionism to defend national economies. But some states, in some circumstances, could be helped by well-considered protective measures.

- Attention should be given to the adequate protection of new industries.
- A measure of protection might be justified, even for developed countries, to protect national security in strategic industries, or to encourage a reasonable level of local food production.
- Local food might also be protected for reasons of taste and lifestyle. Even trade within the EU respects this principle, as with the purity principle for German beer, or the system of *appellation controllee* for French wine.
- Tariffs may be used to manage the location of industry so that investment does not simply follow the lowest costs, which in any case may be deliberately engineered by the investors. For instance the European Union would be justified in seeking a level of protection which was sufficient to persuade companies to locate inside the European market.
- In the age of climate change there were good arguments for preferring local production of some goods, with a smaller carbon footprint, and discouraging companies from exploiting cheap labour in the Philippines or Africa in their production for Europe and America. There might however be objection to local food production if it was dependent on extensive use of energy. It might be preferable to import tomatoes from sub-tropical areas in winter, rather than greenhouse grown local ones. The argument had to be careful and nuanced!

- The social costs of economic adjustments resulting from free trade must be covered. Where benefits seemed to be all for companies and not for workers a measure of continuing restraint of trade was justified.
- Freeing trade should promote general economic development, not merely shift development from one country to another. Free trade worked best as a means of development if other factors of production, particularly labour, were also free to move. In practice, of course, economic migration was resisted, for all sorts of reasons – attachment to traditional homelands and cultures, as well as the prejudices of people in target states. Labour remained stubbornly immobile.

Conclusions

The roots of the new dystopia were different from those proposed by George Orwell in 1984 or Huxley in *Brave New World*. It was not the kind of dystopia that was managed by an authoritarian power, backed by irresistible police forces and gulags to contain the disaffected. This kind of dystopia was much more about the abuse of freedom and the failing of resolve to prevent that.

1. There had been a progressive erosion of the private realm and the reallocation of powers between the public and private sectors in favour of the former. But, the new surveillance potentially helped any actor that chose to use it by either overt, legal means, or by covert and illegal means.
2. There was a new separation of powers. To the traditional trio of actors in a democracy, legislature, executive and judiciary, must now be added big business and the community of super-rich which were separate powers in the state. Though living in a state many of the rich, the non-doms, now asserted their right to live outside its jurisdiction. It should be stressed that the companies had become political as well as economic actors.
3. Private companies emerged with power to resist changes they did not like and cause changes they wanted. They worked hard to promote the environment which suited these goals. The ideology of the free market and its supporting doctrines, free trade, unconditional investment and the like, favoured the dominant actors. Even governments of developed states such as Britain were increasingly open to blackmail by companies and super-rich individuals. Both could withdraw essential assets or impose costs if they chose.

4. The society implied by these dystopic trends in western states was a sharply divided one. It featured very large differences of income, a group of super-rich, an increasingly exploited and disaffected middle class, and an unskilled and under-educated proletariat. The managers of financial institutions in particular made hay. For them, for a while, the sun shined.