

# New Old Challenges

## **Against the Dead Hand: The Uncertain Struggle for Global Capitalism**

by Brink Lindsey

John Wiley & Sons Inc, New  
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BRINK LINDSEY's book *Against the Dead Hand: The Uncertain Struggle for Global Capitalism* squarely takes on the popular view, of globalisation's supporters and critics, that it is an unstoppable force unleashed by technological change, and is forcing governments to pursue market-friendly policies.

Thomas Friedman, one of the best known exponents of this view, uses metaphors such as the 'golden straightjacket' to illustrate the beneficial but unstoppable power of markets over governments. He comes in for several mentions throughout the book. Lindsey takes a different view. As he asks, 'how computerised was China when Deng Xiaoping decollectivised agriculture, and points out that 'the Internet was still an obscure Pentagon initiative when the "Chicago Boys" transformed Chile's economy'.

Instead, Lindsey argues that the world is going through a period of liberalisation because the gap between the expectations from centralisation and the outcomes delivered became too large to sustain, despite often poorly functioning political institutions.

His insight that political change is the necessary precondition for globalisation is sound. He might, however, have stressed more heavily that the economic contrast between centralised and free economies is becoming sharper with the latest wave of technological innovation. The advances made possible by free markets, for the

reasons he outlines in the chapter 'Centralisation versus Uncertainty', are growing ever more obvious and must act as a strengthening 'pull-factor' on collectivised economies to liberalise.

Lindsey's argument that failed centralisation is driving change helps explain why a wide range of politicians embraced ideological friends of free markets such as Reagan and Thatcher, he sites P.V. Narasimha in India from the Congress Party, which implemented socialist planning there, Carlos Menem in Argentina, and Alberto Fujimori in Peru as examples of converts by economic necessity.

As a result, Lindsey argues that the world has 'liberalised in fits and starts', creating economic difficulties which are subsequently blamed on markets. In the chapter 'Hollow Capitalism', Thailand, Malaysia, Indonesia, South Korea and Japan come in for strong criticism for political interference with capital allocation, exercised through an over-reliance on bank financing. He argues persuasively that the fate suffered by the first four of these economies during the 'Asian Crisis' was a result of their illiberal centralisation of capital allocation. During the early 'catch-up' phase, spotting profitable ventures was not difficult, but as the economies became more complex, the suppression of price signals in capital markets led to economic under-performance. The stunning readjustment, Lindsey contends, was caused by the remnants of the 'dead hand' of centralisation not 'market fundamentalism'. Perhaps we can now add Argentina to this list for similar reasons.

Overcoming the sometimes hysterical depictions of the powerlessness of governments in a globalised world, the book puts capitalism in context, using

Africa to depict a situation where he says there is too little government. Lawlessness here is a remnant of a failed soviet past. Without legal institutions capable of upholding the rule of law, and with governments intent on plunder, it is little wonder the abandonment of socialist controls has yielded little in many African nations, where tried. His arguments on property closely follow those of Hernando de Soto, stressing the importance of the security provided by Western-style legal institutions for markets to function.

Lindsey's book provides a well-rounded economic account of the past 150 years, taking the reader from the high point of world economic freedom when Britain abolished the corn laws in 1846, through two world wars to today to illustrate his central theme. He also attempts to reconstruct the rise of centralisation.

Lindsey argues that the rapid change unleashed by the Industrial Revolution disrupted life for many and brought the certainties of village life to an end, replacing them with the uncertainty of markets. These changes must have helped the appeal of collectivism, which was seen initially to offer greater efficiency combined with the certainty and simplicity of the era passed. Whether or not this was the core driver of the 'Industrial Counterrevolution', other factors he refers to must have played more and less important roles in different places. The Taylor 'scientific management' school, feeding off a confusion between economies of scale and control in the industrial and political spheres, was significant in the US, while political opportunism by Bismark in Germany helped spread collectivism across Western Europe.

Whatever the key factors were, Western societies still seem to associate economic liberalisation with weaker communities.

This is well documented by the chapter 'Recasting the Safety Net', where we can see possible parallels between efforts today to justify government intervention on social grounds and the seeds for collectivisation a century ago. Now, however, these arguments are almost exclusively used to retard the unwinding of government controls, not advance them into new areas.

Along the way the reader will come across countless invaluable and interesting facts, anecdotes and histories. Brink Lindsey's book provides a compelling account of why centralisation is in retreat, and is an important counter to the technologically-driven accounts of globalisation.

Reviewed by Christian Gillitzer

**The Opportunist: John Howard and the Triumph of Reaction**

Guy Rundle  
Quarterly Essay, Black Inc.,  
Melbourne, 2001, \$9.95  
ISBN 1 86395 394 9

GUY RUNDLE's essay *The Opportunist: John Howard and the Triumph of Reaction* doesn't provide much of an understanding of John Howard. It does, however, provide a valuable insight into the values and prejudices of its author and the milieu that he inhabits, that sub-culture of what Imre Salusinszky has termed *Wetworld*, known as 'Arenaworld', which may be defined by those who read *Arena Magazine* and subscribe to its worldview.

It does not tell us much about Howard because it is not an attempt to come to terms with Howard as a human being. Rather it is an exercise in the dehumanisation and demonising of Howard as a creature who has no real ideas, no principles, or any real kind of social vision. Howard is presented as crafty, cunning piece of work who succeeds by preying on peoples' fears and anxieties. In

fact he is not even a man: but a 'short-trousered boy-man striding through a series of foreign capitals like Tintin' (p. 6). Alternately, he is the agent of the evil forces of international capital, 'first and foremost a servant of the corporate world and its aim of extending itself into every corner of contemporary life' (p. 16).

Howard appears to be behind every perfidious act that Rundle can identify the Coalition as having perpetrated, from the Patrick's waterfront affair to the anti-drugs campaign which he describes as 'a black comic allegory of John Howard's incomprehension of the contemporary world' (p. 43). Howard is the enemy of liberalism, having exploited the chimera of political correctness to prevent freedom of speech, and is not even a real conservative, just an Australian equivalent of Tricky Dicky Nixon.

Rundle sees Howard's role in the anti-drugs campaign as sinister indicating his 'desire to control how people talk to their children, to hold stubbornly to the idealised family of a bygone dispensation' (p. 43). In fact Howard can do no right. According to Rundle the 'characteristic manoeuvres of the Howard era [are] . . . an attack on the rule of law, on the separation of powers, a disdain for the judiciary, an ideological gloss on social and economic relations and, when all else fails, crude attempts at social engineering' (p. 43). Howard is not a real human being but some sort of abstract demonic force threatening all that Rundle and Arenaworld consider to be good and decent.

Some of these charges are quite serious and we should be asking, are they true? Of course the inhabitants of Arenaworld do not believe in political correctness because that is their natural mode of speech. For those of us, however, who dare to disagree with its dictates it is, I can assure you, a reality. The claims about rule of law, separation of powers and the judiciary are interesting because they indicate that Rundle doesn't really understand the Australian political system. This is not surprising as his knowledge of Australian political history is equally defective. In his account of the 1980s he has Howard's 1988 speech on Asian immigration as occurring prior to the Joh for PM campaign that took place during the 1987 election!

The fact of the matter is that under the Westminster system of responsible government there is no real separation of powers between the Executive and the Legislature as ministers sit in and are, in theory, responsible to parliament. Therefore, the claim that the executive is using the legislature as a rubber stamp does not add up to much and is no indication of something evil and sinister. It is a reality of responsible government. Howard has not been anything special in this regard. All governments attempt to do it and it is unlikely to be remedied while Australia retains responsible government. And in any case no Prime Minister can rubber stamp the Senate.

What Rundle does is to put together a disconnected set of actions and then to claim that there is an underlying pattern to them that can only be explained by reference to the evil and crafty intentions of John Howard. This desire to discover some sort of conspiratorial pattern where there is none is something that this book shares with the One Nation volume *The Truth*.

One of the primary virtues of this essay is the insight that it provides into the social and political philosophy of Arenaworld. Unfortunately, despite Peter Craven's claims for Rundle as a social theorist in the Introduction, there is not much depth to the ideas that this essay presents. Consider this statement for example:

For the liberal, societies are based on contracts; for the radical on the working out of a holistic human plan. For the conservative they arise from deep-seated forms of unity that run beneath whatever political disputes may arise (p. 26).

Surely there is more to these major political theories than this. In what sense does R u n d l e mean that contracts are the foundation of the social order for liberals? Does he mean that liberals view society as a contract

