

## 12

# NEOLIBERALISM AND THE END OF DEMOCRACY

*Jason Hickel*

A contradiction lies at the very centre of the neoliberal project. On a theoretical level, neoliberalism promises to bring about a purer form of democracy, unsullied by the tyranny of the state. Indeed, this claim serves as the moral lodestar for neoliberal ideology – the banner under which it justifies radical market deregulation. But, in practice, it becomes clear that the opposite is true: that neoliberalism tends to *undermine* democracy and political freedom (see Bruff 2014; Springer 2009). More than 40 years of experimentation with neoliberalism shows that it erodes the power of voters to decide the rules that govern the economic systems they inhabit. It allows for the colonization of existing political forums by elite interests – a process known as political capture – and sets up new political forums, such as the World Bank, the IMF, and the WTO, that preclude democratic representation from the outset. Neoliberalism also tends to undermine national sovereignty, to the point where the parliaments of putatively independent nations no longer have power over their own policy decisions, but are governed instead by foreign banks, the US Treasury, trade agreements, and undemocratic international institutions, all of which exercise a kind of invisible, remote-control power.

On the face of it, this may seem like an accident – as though the erosion of democracy were an unfortunate outcome of an otherwise well-intended theory. And to be fair, we might grant that many of the policy-makers who have been won over by the rhetoric of neoliberal ideology – and perhaps even the think tanks that promote it – sincerely believe its claims. But the history of the past 40 years suggests a different story, namely, that the erosion of democracy has been a necessary political precondition for the implementation of neoliberal economic policy. In other words, radical market deregulation has required the dismantling or circumvention of the very democratic mechanisms that neoliberal ideology claims in theory to support and protect.

### **In the name of freedom**

To understand the tendency of neoliberalism to undermine democracy, it helps to understand the political context from which it emerged. The Keynesian revolution that followed the Great Depression and World War II dramatically transformed the distribution of wealth and power between classes, closing the inequality gap that had become so pronounced from the late nineteenth century through to the 1920s. In the USA, Franklin Roosevelt's New Deal had brought in higher tax rates on the very rich and full employment through state spending, while the union

movement – which had built up unprecedented strength – was keeping workers' wages high and rising with productivity. In Britain, Clement Atlee's Labour government had nationalized public utilities and the commanding heights of industry, and was rolling out a robust welfare state that included free healthcare and higher education for all. In the global South, many regions had been swept by democratic elections that brought in pro-poor candidates who sought to restrict the power of Western multinational corporations in favour of 'developmentalist' policies that promised land reforms and supported national industries with subsidies and tariff protections. Not only were these measures popular among voters, they also delivered remarkably high rates of economic growth and had a substantial impact against poverty. This was the age of what David Harvey (2005) has called 'embedded liberalism', in a gesture to Karl Polanyi (1944). It was a form of market capitalism that was embedded in society, devoted to social welfare, and responsive to democratic processes.

But this system had its enemies. While embedded liberalism delivered high rates of growth, the very rich – whose economic and political power had been curtailed during the post-war decades – were taking home a smaller proportion of the overall pie. In the USA, the share of national income going to the richest 1 per cent fell from 16 per cent to 8 per cent. And it was even worse for the richest 0.1 per cent, the very elite. In the USA, Britain, and France, their share of national income fell from more than 10 per cent to less than 2 per cent (Piketty and Saez 2003). The elite class knew that the only way to restore their power was to roll back the economic regulations that had been brought in by the Keynesian consensus, following the prescriptions of economists like Friedrich von Hayek and Milton Friedman, who argued for the abolition of nearly all forms of state intervention in the economy. There was only one problem: the voters who had benefited so much from the Keynesian revolution would never be willing to support such a regressive move. Because it was impossible to acquire the political capital necessary to accomplish this in the USA or Britain, or in any country with a functioning democracy, the first experiments in neoliberalism had to be imposed by force.

Chile provided an ideal crucible for this experiment. In 1973, the CIA backed a coup that toppled the democratically elected government of Salvador Allende, who had angered the USA by implementing a popular programme of nationalization. The coup replaced Allende with a military junta led by Augusto Pinochet, who proceeded to impose a battery of economic policies that were designed by Friedman and economists who had studied under him at the University of Chicago, the hub of neoliberal thought at the time. The Pinochet regime knew that these measures – the privatization of state companies, banks, education, and social security; the elimination of tariff barriers, subsidies, and price controls; and deep cuts to government spending on social services – would lead to mass unemployment, impoverishment, and economic contraction. The only way to push them through was to do so quickly and without any democratic debate, and then to clamp down on political dissent – what Friedman himself referred to as 'shock treatment'. According to declassified CIA documents, the Pinochet regime arrested and imprisoned between 80,000 and 100,000 political dissidents, most of them peasants and workers. Some 3,200 people were disappeared or executed, many of them in sports stadiums that were used as mass death camps. Another 200,000 were exiled or fled as political refugees (Klein 2007:76).

Chile was not the only early experiment in forced market liberalization. Friedman and his students served as advisors to the Brazilian government in the 1970s as it presided over similar economic reforms. In Uruguay, a US-backed military junta took power in 1973 and applied Chicago School principles under the direction of Arnold Harberger. In Argentina, a US-backed junta seized power in 1976 and applied the same measures: banning strikes, lifting price controls, privatizing state companies, and using torture to suppress political resistance. The important

Jason Hickel

point to take from this history is that the imposition of neoliberal economic policies required the abolition of democratic government, and a state terror programme that was robust enough to disable resistance wherever it emerged. In other words, the political sphere had to be *regulated* – and heavily so – in order to *deregulate* the economy to the extent that neoliberal ideology demanded. Total market freedom required total political unfreedom, even to the extent of mass imprisonment and concentration camps.

In the West, where coups were not an option, this battle had to be fought at the level of ideology. The proponents of neoliberalism had to convince voters that market deregulation would bolster freedom and democracy. Hayek and Friedman were instrumental in building this argument, which was a new addition to the rhetoric of free-market capitalism. Hayek's 1944 book, *The Road to Serfdom*, argued that government interference with the economy – such as the Keynesian policies that dominated the USA and Britain at the time – would lead inevitably to totalitarianism, and that the push to secure the welfare of the masses through socialism would end up demolishing the political freedoms that socialists claimed to revere. True freedom could only be secured by unfettered market capitalism, he claimed. Friedman took this argument further in his 1962 book, *Capitalism and Freedom*, which proposed specific economic policies and advocated for the complete elimination of trade barriers, currency controls, public education, labour regulation, and graduated taxes. These ideas were picked up and pushed by lobbying groups such as the conservative Heritage Foundation, the Business Roundtable, and later the Cato Institute, which sought to build up the association between neoliberalism and democracy in the public consciousness.

This argument proved to be incredibly appealing to Western voters, particularly as the Cold War gathered steam and as anti-state, anti-union, and anti-bureaucracy sentiment gained traction after 1968. The argument was given fresh credence when Hayek and Friedman each won the Sveriges Riksbank Prize in the 1970s, which is commonly, but incorrectly, known as the Nobel Prize in Economics. So when economic crisis hit in the 1970s, voters were primed to accept the alternative economic model that Hayek and Friedman had proposed. The Reagan and Thatcher administrations eventually came to power on platforms that promised to enhance individual freedoms by liberating capitalism from the 'shackles' of the state – reducing taxes on the rich, cutting state spending, privatizing utilities, deregulating financial markets, and curbing the power of unions. After Reagan and Thatcher, these policies were carried forward even by putatively progressive administrations such as Clinton's in the USA and Blair's in Britain, thus sealing the new economic consensus across party lines.

### A creeping tyranny

The claim was that these radical free-market policies would increase economic growth and that the yields would 'trickle down' to the people, but in reality the opposite happened. Per capita income growth rates fell from 3.2 per cent to 2.1 per cent, beginning in the 1980s (Chang 2007: 26), and inequality increased at an alarming rate: in the USA, the proportion of national income going to the richest 1 per cent more than doubled, from 8 per cent to 18 per cent, while in Britain it jumped from 6.5 per cent to 13 per cent, restoring levels not seen since the Gilded Age. It bears pointing out that the people who benefited most from this upward redistribution of wealth were not necessarily the same people – or even the same class – who lost it during the post-war decades. This was particularly true in Britain, where Thatcher's policies eroded the power of the old aristocracy and handed it instead to corporate executives. In the USA, CEO salaries increased by an average of 400 per cent during the 1990s (Anderson *et al.* 2006). Meanwhile, median household incomes stagnated, and wages declined in real terms. The deregulation of the

financial sector (marked in Britain by the 'Big Bang' of 1986 and in the USA by the abolition of the Glass-Steagall Act in 1999) paved the way for trends in risky market speculation that led, in the end, to the 2008 financial crisis, massive economic contraction, and long-term unemployment (Stiglitz 2010).

The growing economic power of the richest percentiles translated directly into increased political power, as they gained new influence over elections. In the USA, the collapse of the unions as a result of neoliberal reforms has meant that corporations are able to outcompete labour in campaign financing. Their position was further strengthened in 2010, when the Supreme Court ruled in *Citizens United vs FEC* that corporations have a constitutional right to spend unlimited amounts of money on political advertising as an exercise of 'free speech'. In a 2014 case known as *McCutcheon vs FEC*, the Court went a step further and struck down all government restrictions on individual contributions to political parties. These measures – justified according to the principle of corporate personhood – have made it difficult for candidates to win elections without direct corporate support, placing politicians under pressure to eschew policy positions that might be unpalatable to economic elites.

This elite political capture has been furthered by the rise of the lobbying industry: \$3.55 billion was spent on federal lobbying in the USA in 2010, up from \$1.45 billion in 1998 (Center for Responsive Politics 2014). A 2009 study found that corporations that invested in lobbying the US Congress earlier in the decade earned returns of up to 22,000 per cent in the form of tax breaks and profits from preferential treatment (Alexander *et al.* 2009). Yet another expression of political capture can be seen in the 'revolving door' phenomenon, whereby government regulators of key industries are drawn from the very industries they are supposed to regulate. One striking recent example is Henry Paulson, who served as the CEO of Goldman Sachs before becoming the US Treasury Secretary and orchestrating the Wall Street bailout of 2008.

As a result of political capture, the interests of economic elites in the USA almost always prevail in government policy decisions even when the vast majority of citizens disagree. A 2014 study by scholars at Princeton and Northwestern universities confirmed this with evidence from 1981 to 2002, leading the authors to conclude that the USA resembles an oligarchy more than a democracy (Gilens and Page 2014). Britain exhibits similar tendencies, albeit for different (and older) reasons. Britain's financial hub and economic powerhouse, the City of London, has long been immune from many of the nation's democratic laws and remains free of parliamentary oversight. Voting power in the City of London council is allocated not only to residents, but also to businesses, taking corporate personhood to another level. And the bigger the business, the more votes it gets, with the largest firms getting 79 votes each. In the British Parliament, the House of Lords is filled not by election but by appointment, with 92 seats inherited by aristocratic families, 26 set aside for the Church of England, and many others 'sold' to rich individuals in return for large campaign donations (Hope and Swinford 2013).

In both the USA and Britain, political dissent is managed by a combination of mass surveillance (as Edward Snowden and Julian Assange have revealed), an increasingly militarized police force (on display during the Occupy protests of 2011 and the Ferguson protests of 2014), and the consolidation of media ownership. In the USA, the Telecommunications Act of 1996 largely deregulated the media industry, allowing for cross-ownership which has since led to significant mergers. In the early 1980s, 50 companies controlled 90 per cent of all American media; by 2011, that same 90 per cent share was controlled by only six companies. In Britain, the Thatcher administration allowed unprecedented consolidation in the newspaper industry, so that today only three companies control 70 per cent of the market, with Rupert Murdoch's empire controlling more than a third (Media Reform Coalition 2014).

### Remote-control power

The above illustrates how democracy in the USA and Britain has been undermined by economic policies that have shifted political power to elites and corporations. But outside the West democracy has faced a different kind of threat – one that has to do with the structure of international debt. During the 1970s, Wall Street investment banks peddled large loans to the governments of capital-starved developing countries, confident that this would be a safe investment as governments would be unlikely to default. But when interest rates shot up in the early 1980s as a result of the Volcker Shock in the USA, indebted countries slid to the brink of default in what became known as the Third World Debt Crisis. Intent on protecting Wall Street from collapse, the US government stepped in to ensure that developing countries would repay their debts. They used the IMF to roll over the debts on the condition that developing countries would agree to a series of ‘structural adjustment programmes’, or SAPs. Development countries could technically refuse and proceed with default, but if they did so they risked US military invasion. SAPs included three broad policies: cuts to social spending, privatization of public assets, and liberalization of trade and finance. Beginning in the 1980s, these same principles were set as preconditions for new development loans from the World Bank.

In other words, debt became a powerful mechanism for imposing neoliberalism around the world, and for rolling back the developmentalist agenda that Washington found so threatening – more powerful, even, than the coups that had been used in the past. The promise, once again, was that neoliberal reform would improve economic growth and reduce poverty, but instead it did exactly the opposite. Per capita income growth rates in developing countries plunged to half their previous levels, falling from more than 3 per cent to 1.7 per cent. In Sub-Saharan Africa the GNP of the average country *shrank* by around 10 per cent during the 1980s and 1990s (Chang 2007: 27–8). All told, developing countries lost roughly \$480 billion per year in potential GDP (Pollin 2003). It would be difficult to overestimate the scale of human suffering that these numbers represent. Yet multinational corporations, for their part, benefited tremendously from the opportunity to enter new markets, access cheap labour and raw materials, and buy up state assets at fire-sale prices.

Structural adjustment represented a serious attack on democracy in the global South. It meant that key decisions over economic policy were made not by national parliaments, but rather by bankers and technocrats in Washington and New York. It operated as a new kind of coup: a way for Washington to impose its economic agenda without the bloodshed, torture, and overt dictatorship that marked the Chile experiment. Furthermore, most citizens would never know it happened; they would continue to believe that their elected representatives held power, when, in fact, power – at least over some policy portfolios – had been shifted abroad. If given the chance, citizens probably would have voted against the harmful economic policies imposed through structural adjustment, but they were never afforded that opportunity. When adjustment caused unemployment to rise, wages to decline, and food prices to skyrocket, people took to the streets with protests and riots. These ‘IMF riots’, as they were called, swept across the global South in the 1980s and 1990s, but they had little effect: the ultimate targets of their discontent were in Washington, and had no reason to listen to them. It is interesting to consider the significance of this. Structural adjustment marked the end of meaningful national sovereignty only a few decades after global South countries gained their independence from colonialism.

Another key problem is that the international institutions that impose structural adjustment, and govern global economic policy more broadly, are themselves profoundly undemocratic. Voting power in the IMF and World Bank is apportioned according to each nation’s share of financial ownership, just as in corporations. Major decisions require 85 per cent of the vote, and

the US Treasury, which holds about 16 per cent of the shares in both institutions, wields de facto veto power. Middle- and low-income countries, which constitute some 85 per cent of the population, have only about 40 per cent of the vote. This is ironic, given that both institutions – and particularly the World Bank – require ‘democratic governance’ of borrowers as a condition for loans. What is more, the leaders of these institutions are not elected, but appointed by the USA and Europe: according to a longstanding gentleman’s agreement, the president of the World Bank is always an American (and almost always a Wall Street executive or a US military boss), while the president of the IMF is always a European. There have been repeated calls by developing countries to democratize the World Bank and the IMF. In 2010 a reform package was finally introduced, but it amounted to little more than window dressing: only 3 per cent of voting power shifted from rich countries to poor countries (about half of that going to China), and the USA retained its veto power.

The World Trade Organization, too, has come under scrutiny for its democratic deficit. Founded in 1994, the WTO is technically governed according to a one-country, one-vote process, and all major decisions are supposed to be made on a consensus basis. But, in practice, market size determines bargaining power: large economies like the USA grant access to their consumer markets in exchange for tariff reductions and special concessions for their corporations, which can be devastating to local industries in poorer countries. On top of this, rich countries negotiate key decisions in special ‘green room’ meetings from which developing countries are generally excluded – a tactic that allows them to circumvent the consensus process. Finally, rich countries can afford to maintain a permanent contingent of staff at the WTO headquarters in Geneva, and send hundreds of people to the bargaining meetings; poorer countries that cannot afford such staff have little say, even in decisions that affect them directly. As a result of these imbalances, the international trade system is skewed heavily in favour of rich countries. And this order is protected by the WTO’s private courts: if poor countries choose to disobey trade rules that hurt their economies, rich countries can retaliate with crushing sanctions.

But perhaps the most profound threat to democratic sovereignty comes from financial liberalization, which has created what some scholars have called a ‘virtual senate’ (Chomsky 2010). This requires a bit of explanation. The Bretton Woods system designed by Keynes was intended to grant states the power to control capital flows across their borders. If foreign investors wanted to pull their money out, they had to go through a rigorous application process. This helped prevent sudden outflows of capital, which can be very damaging particularly to smaller economies. But neoliberal reforms have gradually dismantled these capital controls, giving investors the ability to move capital whenever they please. This has granted them an enormous amount of political power. If a country decides to increase its minimum wage or regulate pollution, thus reducing corporate profit margins, then investors can quickly pull their money out and send it somewhere else. This means that investors can conduct moment-by-moment referendums on decisions made by voters or governments around the world, bestowing their favor on countries that facilitate profit maximization while punishing those that prioritize other concerns, like decent wages or a healthy environment, by pulling their capital. And when investors decide to punish, it hurts – for poor countries that rely on foreign investment just to stay afloat, it can push them to the brink of crisis. In this sense, investors operate as a virtual senate. Sitting in their high-rise offices somewhere out there, they are the ones with ultimate power over economic policy. Voters dare not cross them. The work of the virtual senate is lubricated by the World Bank’s ‘Doing Business Report’, which ranks countries each year according to their friendliness to foreign investment. Investors use the rankings to decide how to move their money. As a result, countries must compete to deregulate in order to rise in the rankings and attract the favor of foreign investors (Hickel 2014).

The growing power of the virtual senate and the rise of global governance organizations like the World Bank, the IMF, and the WTO pose a conundrum for neoliberal theory. People commonly think of neoliberalism as an ideology that promotes totally free markets, where the state retreats from the scene and abandons interventionist policies. But in reality the extension of neoliberalism has entailed powerful new forms of state intervention. The creation of a global ‘free market’ required not only violent coups and dictatorships backed by Western governments, but also the invention of a totalizing global bureaucracy with reams of new laws, backed up by the military power of the USA (Graeber 2009). In other words, an unprecedented expansion of state power has been necessary to force countries around the world to liberalize their markets against their will. This process has not enhanced political freedom and democracy, as its proponents claimed it would; rather, it has shifted political power away from democratically elected decision-making bodies and placed it in the hands of remote, unelected bureaucrats.

### The ‘free trade’ fallacy

Neoliberal policies are promoted around the world not only by international financial institutions and the WTO, but also by free trade agreements, or FTAs. The first major FTA was the North American Free Trade Agreement between Canada, Mexico, and the USA, which came into effect in 1994. NAFTA, like other FTAs, focused on removing trade barriers, legalizing capital flight, and ending ‘market distortions’ like price controls. Not surprisingly, NAFTA was highly controversial and widely resisted by voters. In Mexico, hundreds of thousands of farmers took to the streets of the capital with their tractors. In Canada, the general elections in 1988 and 1993 were fought almost exclusively on the issue of NAFTA. A majority of Canadians voted for parties that promised to stop NAFTA in both elections; nonetheless, the governments that assumed power each time ended up accepting the agreement. In the USA, however, the agreement was more or less successfully marketed under the banner of ‘freedom’. Indeed, the term ‘free trade’ itself proved capable of neutralizing opposition: to take a stand against free trade appeared as taking a stand against freedom itself, which is not a tenable position in American politics.

Yet, in reality, agreements like NAFTA have nothing to do with enhancing human freedom. Rather, they are designed primarily to enhance *corporate* freedom: the freedom for corporations to move around the world at will, to access new export markets and investment opportunities, and to make use of cheaper labour. By stripping away Mexico’s tariff barriers, NAFTA allowed US agricultural companies to dump cheap, heavily subsidized corn over the border. This caused the local market to collapse and some 2 million farmers were forced to abandon their land, much of which was then snapped up by American companies. And because NAFTA deregulated food prices, the cost of tortillas shot up by 279 per cent in the first decade. According to a recent report by *The New York Times*, as a result of NAFTA ‘Twenty-five percent of the population does not have access to basic food and one-fifth of Mexicans suffer from malnutrition’ (Carlson 2013). NAFTA has also taken a heavy toll on workers. Today, the income of a farm worker in Mexico is one-third what it was before NAFTA, real wages across the board are lower, and the minimum wage is worth 24 per cent less (Public Citizen n.d.). In the USA, NAFTA displaced a total of 682,900 jobs, most of which were high-paying and unionized, further eroding the labour movement and contributing to downward pressure on wages (Scott 2011).

But the most interesting of NAFTA’s provisions, for the purpose of this chapter, was the inclusion of Chapter 11, which focused on ‘investor state dispute settlement’, or ISDS. ISDS allows investors to sue their host states for laws that might reduce their ‘expected future profits’. For example, imagine that Mexican voters elect politicians who promise to roll out new worker

safety standards for garment sweatshops, or new limits on the toxic chemical dyes that sweatshops dump into local rivers. And imagine that these new rules are ratified by the national parliament with unanimous support. If the multinational corporations that run those sweatshops – say, Nike or Gap – believe that their profits will be negatively affected by these rules, they have the power to sue the Mexican government to stop their implementation, subverting the will of the people and overriding the power of their elected representatives.

There have been many such cases filed under NAFTA's Chapter 11. Metalclad, a US corporation, sued the state of Mexico for refusing to award a construction permit for the hazardous waste landfill it had proposed to develop, on the basis that it would be harmful to the environment. Mexico was forced to pay \$16.7 million to Metalclad in damages.<sup>1</sup> In Canada, Dow Agrosciences, a US corporation, is suing the government for banning the use of its pesticides on the basis that they may cause cancer in humans.<sup>2</sup> All of these cases follow the same pattern: corporations sue the state for laws that limit their potential profits in the interest of human rights, public health, or the environment. These lawsuits have the power to force states to back down from regulatory legislation. It is worth pausing to consider the implications of this. ISDS effectively grants corporations the power to strike down the laws of sovereign nations. In other words, corporations are empowered to regulate democratic states, rather than the other way around – a frontal assault on the ideas of sovereignty and democracy, and one that is, ironically, being conducted under the banner of freedom. Even when lawsuits are not filed, the mere threat of them can act as a powerful disciplining force that curtails the latitude that elected representatives have over policy space.

What is perhaps most troubling about ISDS mechanisms is that they are intrinsically imbalanced. Investors have the right to sue states, but states do not have a corresponding right to sue foreign investors. The most a state can hope to win out of an ISDS settlement is the nullification of the suit; a state cannot claim damages from foreign corporations. In other words, ISDS grants special new powers and freedoms to undemocratic corporate investors while eroding those of sovereign, democratic states. Furthermore, ISDS hearings are conducted in secret tribunals that have none of the checks and balances and transparency that characterize normal public courts. The judges in these hearings are corporate lawyers – a practice that persists despite the obvious conflict of interest – and the proceedings are conducted in secret (Perry 2012).<sup>3</sup> The citizens and communities that are negatively affected by the investors are not represented in the hearings. And yet the investors have the power to overthrow the decisions of parliaments and the rulings of national courts. This arrangement is so shocking that one arbiter from Spain has said:

When I wake up at night and think about arbitration, it never ceases to amaze me that sovereign states have agreed to investment arbitration at all... Three private individuals are entrusted with the power to review, without any restriction or appeal procedure, all actions of the government, all decisions of the courts, and all laws and regulations emanating from parliament.

*(Cited in ibid.)*

NAFTA has served as a blueprint for similar FTAs elsewhere around the world, and there are now dozens of them. CAFTA, for example, was passed in 2005, also under controversial circumstances: voting was held open nearly two hours longer than normal in the US House of Representatives in order to get some members to change their votes, which yielded a final margin of 217–215. Like NAFTA, CAFTA includes an ISDS mechanism, and it has already been brought into use on a number of occasions. In El Salvador, citizens recently voted to ban a gold mine planned by Pacific Rim, a Canadian corporation, because it threatened to destroy part of the



national river system. Pacific Rim is now suing El Salvador for \$315 million-worth of lost potential profits (Kosich 2013).

As of 2015, there are two new FTAs that are under negotiation: the Transatlantic Trade and Investment Partnership (TTIP), which will govern trade between the USA and the European Union, and the Trans-Pacific Partnership (TPP), which will govern trade between the USA and Pacific Rim countries. These trade deals go much further than earlier deals, which seem almost quaint by comparison. The primary aim of TTIP, for instance, is not to reduce trade tariffs, as these are already at minimal levels, but rather to reduce any 'barriers' to corporate profit maximization: labour laws, digital privacy laws, environmental protections, food safety standards, and financial regulations. TTIP could make it illegal for governments to stop commercial banks from engaging in securities trading, which was one of the main causes of the 2008 financial crisis. It will also prevent governments from limiting the size of banks, and will prohibit the proposed Robin Hood Tax on financial transactions – two measures that are considered essential to preventing another financial crisis. And, perhaps most worryingly of all, it will restrict governments from limiting the extraction and consumption of fossil fuels. If it is passed, elected politicians will find themselves stripped of their power to defend the interests of their people and the planet against economic crisis and climate change.

The TPP, for its part, includes a chapter that would seriously curtail internet freedoms (it includes much of the text of SOPA, a controversial bill that was rejected by the US Congress), and extends the duration of monopoly patents – even for life-saving medicines and seeds. We only know about these provisions because of whistleblowers who have leaked draft chapters of the TTIP and TPP to the public.<sup>4</sup> At the time of writing the rest of the chapters remain shrouded in secrecy. Not even the parliaments of the signatory nations have been allowed to read the draft agreement, much less the voting public. Only the negotiators – which include advisors to 605 corporations – have full access.

These new FTAs amount to something like a corporate coup d'état on an international scale. They create an avenue for legislation that completely bypasses national parliaments and any form of democratic discussion, pouring scorn on the idea of elected government. In this sense, it appears that the ideology of 'free trade' has overplayed its hand, and exposed itself as farce. TTIP and TPP make it clear that free trade was never meant to be about freedom in the first place. Indeed, the very things that *do* promote real human freedoms – such as the rights of workers to organize, equal access to decent public services, and safeguards for a healthy environment – are being cast as somehow anti-democratic, or even totalitarian. These freedoms are reframed as 'red tape' or as 'market barriers', even when, as is almost always the case, they have been won by popular grassroots movements exercising their democratic franchise. In this paradigm, democracy itself is targeted, bizarrely, as anti-democratic, inasmuch as it grants voters control over the economic policies that affect their lives.

## Democratic backlash

News media commonly celebrate the fact that an increasing number of countries are run by democratic governments. Indeed, today the majority of people on the planet live under some kind of democracy. But this claim becomes questionable when we consider the reality of political capture and media monopolies, and the shift of sovereign power away from elected governments and into the hands of global governance institutions, free trade agreements, and financial centres. Democracy, it appears, is thriving in name only.

People are beginning to recognize this fact. In 1994, a group of the indigenous Mexican farmers harmed most by NAFTA opted to withdraw from the political system altogether and

established their own autonomous zone. The Zapatistas, as they are called, persist to this day, and have inspired similar movements for democratic sovereignty across Latin America (Zibechi 2005). In 1999, tens of thousands of anti-globalization activists from around the world succeeded in shutting down the WTO meetings in Seattle, in what was the most highly publicized act of resistance to neoliberalism up to that point. In 2011, the Occupy movement in New York and the Indignados in Spain sparked global protests against financial liberalization, the outsized power of big banks, and the austerity measures imposed as a form of structural adjustment in Western states as a supposed 'solution' to economic crisis. Tellingly, in all of these protests resistance against neoliberal capitalism has come not as a demand for socialism – as one might have expected a few decades ago – but as a demand for democracy. A prominent banner in the Occupy London camp proclaimed 'Real democracy reborn here'. Resistance is now also appearing in the sphere of electoral politics. In 2014, a referendum in Scotland saw nearly half the population vote to leave the United Kingdom, in a bold rebuke of remote-control power from Westminster and Washington. In 2015, Syriza won national elections in Greece with their call to reclaim democratic sovereignty and liberate the country from the overbearing power of external creditors. A number of similar movements have emerged across southern Europe as austerity continues to take its toll.

Neoliberal reforms have undermined democratic sovereignty over the past 40 years, but they have also set off a popular backlash that is growing bold enough to make demands for new and more radical forms of democracy (Juris 2008; Maeckelbergh 2009). It is still too early to tell, but the end of democracy as we knew it might also mark the beginning of something else.

## Notes

- 1 See *Metalclad Corp. vs United Mexican States*.
- 2 See *Dow AgroSciences LLC vs Government of Canada*.
- 3 Secrecy provisions in many ISDS tribunals are now changing, in the face of public pressure.
- 4 A full draft of the TTIP text was leaked to the BBC in February 2015. Two chapters of the TPP have been leaked to Wikileaks: a chapter on intellectual property was leaked in November 2013, and a chapter on ISDS was leaked in March 2015.

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Jason Hickel

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