
Book Review

There Is No Such Thing As 'Enlightened Globalization'

by Nancy Spannaus

The End of Poverty: Economic Possibilities for Our Time

by Jeffrey D. Sachs

New York City: The Penguin Press, 2005
397 pages, hardcover, \$27.95

The heads of state from 180 nations met in New York City the week of Sept. 12 to discuss the contents of this book, written by world renowned economist Jeffrey Sachs, who serves as a personal advisor to UN Secretary General Kofi Annan on his Millennium Project. It is unlikely that very many among this gathering will actually harbor hope that the goals of reducing "extreme" poverty by 2015 which are outlined in Sachs's book, and the Millennium Goals Project which has been ongoing for the last five years, will actually be achieved. But the fraudulent thinking that is put forward in both, must be exposed.

I was drawn to this book before I realized how Sachs had reprofiled himself, and reached such a level of prominence among developing sector nations. I attended a lecture Sachs gave on the book to a Columbia University Alumni Association gathering in Washington, D.C. soon after the book's release, and was surprised to see him essentially reborn as a social worker! There were very useful, and surprising, elements of Sachs's discussion of African poverty that evening, especially his attack on the idea that Africans are so impoverished because of corruption, or laziness. It was obvious that the young professor had had his conscience shocked through his visits to the AIDS-ravaged hell-holes of Sub-Saharan Africa, and that he wanted to do something about it. But it was also clear that Sachs's solutions were no more beneficial than putting a bandaid on a full-blown hemorrhage. And when I asked about the *systemic* problems of the International Monetary Fund (IMF) system, which have impoverished these countries, and the need to use an FDR state-credit approach, he danced around the question.

Having read the Professor's book, I now understand why.

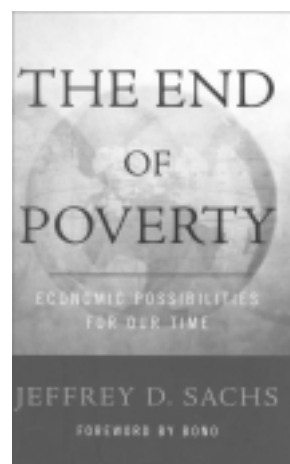
Yes, Sachs opposes the most obscene "excesses" of IMF Structural Adjustment Programs, and debt collection, and even recognizes the need for the building of some infrastructure for poor nations. But he buys fully (by name) into the Adam Smith "free-trade" fraud of "development." That means that he does not really understand the basis for the massive leap in industrial development over the past 200 years, and thus comes up with proposals which both ignore the ongoing death of the free-trade system, and, most importantly, call for the application of more of the disease!

He says the solution is "enlightened globalization." There is no such thing! Globalization is feudalism, and its result will be devastating to the human race. The alternative, represented by the American System of political economy, must now be adopted on an international scale, or the mass death of the 14th Century will be repeated, or worse, globally.

Fraud #1: The Basis for Prosperity

Early on in the book, Sachs professes to explain historically how the world entered into the recent 200-year period of relative prosperity, defined as the increase in overall life expectancy, as well as the relatively meaningless idea of "incomes." He accurately defines this as a result of the application of the scientific breakthroughs made from the Italian Renaissance period, but then immediately betrays his ideological bias: The spread of these breakthroughs worldwide, he says, comes through the British, notably Newton and Adam Smith!

This is either a deliberate lie, or a reflection of ignorance. What was effective about the British "industrial revolution" came from the intervention of the circles associated with the American Benjamin Franklin, and the German Gottfried



Wilhelm Leibniz, and it was the *American System* principle which resulted in the rapid advance of industrial progress worldwide, particularly after the Union won the American Civil War. Against this American System principle, the British imperial system fought tooth and nail, and has, in the post-war period, finally taken huge strides toward wiping it out altogether.

The only accurate way to see the last 200 years, which Sachs describes as a period of growing prosperity in which some nations (over one-fifth of the world's population) get "left behind," is as a conflict between the British imperial system on the one side, with the American system of republican progress on the other. In fact, the dominance of the British imperial system (known today as globalization) is now bringing the world financial system to the point of total economic and financial breakdown. It is only by dumping the globalized system, and replacing it with one based on the American System principles which underlay FDR's Bretton Woods System, that *any* nation is going to be able to survive the immediate period ahead.

But, to read Sachs's account, you would think that the industrialized nations of the North were doing just fine, and all they had to do is to share some of their surplus. Does he not know that they and their financial systems are bankrupt? Does he not see the collapse of productive industry and infrastructure? Does he not see that the only "growth industries" since the 1970s have been in the areas of drugs and financial speculation?

But to admit this reality, Sachs would have to admit that rampant globalization has not been a success, but a failure as a *system!* And that the impetus for economic progress had to come from somewhere else.

Fraud #2: Sachs's Track Record

The second part of the book is comprised of Sachs's reflections on his own history as an economic consultant, before he went through a transformation to being concerned with the fate of the very poor. Sachs reviews, in a somewhat self-critical and definitely defensive manner, his role in dealing with the financial crises in Bolivia (1985), Poland (1989), Russia (1990), China, and India.

The most glaring problem with all of Sachs's case studies is his omission of one critical fact: All of these nations are *worse off*, and in some cases dramatically so, as a result of his advice. That advice mainly focussed on stabilizing currencies, at the expense of production, and opening up the nations to looting, called *free trade*, by the elimination of price-controls, tariffs, and the like. As a result of Sachs's advice, most of these governments moved toward eliminating productive jobs, and throwing the displaced population upon the mercies of the "informal" economy of anything from selling trinkets, to dope production.

EIR is intimately familiar with the three major examples



WHO

Jeffrey Sachs, despite his new profile as a "friend of the Third World," remains a dyed-in-the-wool proponent of Adam Smith's British imperial free-trade dogmas.

of Sachs's consulting work: Bolivia, Poland, and Russia. In all of these cases, the LaRouche movement was on the scene proposing alternative policies based on strengthening the powers of the nation-state to protect the general welfare of its population, the direct antithesis of the shock therapy, free-trade approach.

Let's start with Bolivia, which is the case which built Sachs's reputation as an economic wunderkind.¹ When Sachs arrived in 1991, Bolivia was in the midst of hyperinflation. Sachs's measures did the following:

First, the Bolivian financial system was effectively "dollarized," the peso devalued and all sovereign power of internal credit generation was abandoned, placing the country at the mercy of the dollar (and the U.S. Federal Reserve Board).

Second, the government budget deficit was dramatically reduced. This was done by eliminating subsidies so that, for example, fuel prices increased tenfold; carrying out mass layoffs in state enterprises; and cutting government investment.

Third, trade liberalization was instituted: Import tariffs were eliminated, ending any protection of local industry.

And *fourth*, Sachs worked out a deal for Bolivia with the IMF and the country's creditor banks, under which these institutions agreed to a total suspension of all debt-service payments for a number of years, in exchange for the adoption of the full Sachs package of measures.

Sachs's measures did, as he claims, "cure" the hyperinflation. However, they also did a lot more. They led to a continued collapse in per-capita GNP, and a dramatic cut in domestic investment. But not everything collapsed. In fact, in the five years after Sachs's program took effect, the output of the coca crop grew by almost 125%. Bolivia became the premier

1. See Dennis Small, "How the Economy of Bolivia Became Addicted to Cocaine," *EIR*, Jan. 10, 1992.

coca producer in the Americas, as displaced workers rushed to support themselves with the lucrative cash crop.

The stories of Sachs's consultancies in Poland and Russia are more complicated, but the end result is precisely the same. In both cases, Sachs proposed a sudden deregulation of prices, and free trade, tied to currency stabilization, and privatization of state industries. The results were devastating for living standards, and production. In Russia, leading economist Sergei Glazyev called it "Genocide!"²

Yet, Sachs doesn't seem to acknowledge the reality of this result. He measures his "success" in monetarist terms, simply ignoring the fact that it has led to the looting of productive plant and workforce, to the point of effectively threatening the survival of the nations involved.

Fraud #3: Globalization Is the Solution

There is one humorous and telling anecdote which Sachs provides about his prescriptions to his client nations. He was in India in 1994, seeking to convince the country to further open up to outside financial interests, in part by giving lectures to the university elite. While giving a lecture at one of the leading institutes, he reports, he couldn't help noticing the intense skepticism which was evident on the faces of his audience. Suddenly, it came to him in a flash that the people he was lecturing about privatization and trade liberalization were people very aware of the experience of being ruled by a *private company*, the British East India Company, for more than a century. It was going to be very hard work convincing them that they should go down this path again, he thought to himself.

Yet, this moment of self-consciousness is followed up in Sachs's account by total sophistry. Oh, Sachs attacks the East India Company rulers all right, and rejects the idea that the British were "civilizing" the natives through their brutal rule, including the notorious policy of failing to act to prevent devastating famines. But he proceeds to argue that "liberalization" of trade and the economy is precisely what India needs, and that the champion of this road to progress is none other than the apologist for the free-trade system the East India Company exemplified, Adam Smith.

In the final part of the book, Sachs provides a very detailed picture of the horrors of Sub-Saharan Africa, whose suffering he attributes to a myriad of causes: bad geography; poverty itself; the fiscal trap; cultural barriers; demographic problems; lack of innovation; governance failures; and geopolitics. These countries need a "jump-start," he argues, because they can't overcome their physical and economic problems without it. His "solution" is the massive increase of foreign aid, most of which is to be administered by funding projects village by village: health clinics, mosquito netting against ma-



WFP/W. Othman

Sachs's discussion of Africa's horrific poverty includes some useful elements, but his "solutions" would only make the problems worse. Here, a scene in Malawi.

laria, roads to impassable areas, and the like.

But, what Sachs fails to admit is that these very problems have been *caused* by the advance of the globalization process, which has deliberately undermined national governments; refused to fund vital major, modern infrastructure projects in the transport, water, and power areas; and subjected all nations to the laws of the market, rather than protecting and nurturing their own populations by producing for their own needs. And, if globalization is not reversed, there will be no way out of extinction for most of these nations.

There is no denying the reality that the nations of Sub-Saharan Africa have actually gotten *poorer* over the past 25 years. What caused that? In fact, the process began with a policy decision, taken in Anglo-American financial circles of which Henry Kissinger is a party, that the international financial establishment would *not* provide the funds for industrialization of the continent, but rather would act to ensure that Africa's riches, its raw materials, were preserved for the use of the major Western nations, and at the prices which they wanted to pay. The codification of this policy appeared in NSSM 200, a National Security Study memorandum written

2. Sergei Glazyev, *Genocide* (October 1993-August 1998): Russia and the New World Order, (Executive Intelligence Review, 1999).

in 1974 under the personal direction of National Security Advisor Kissinger. NSSM 200 argued that the population growth of certain key countries had to be kept in check (a euphemism), in order to ensure the “strategic interest” of the United States in getting unfettered access to their raw materials. Among these countries were three major African nations: Nigeria, Egypt, and Ethiopia.³

There is no geographical or cultural or other block to development in Africa that could not have been overcome in the very same way that it was overcome in the United States, and nations which followed it. What was needed was sovereign control over one’s credit system, imports of advanced technologies required, investment in one’s population, and the extensive development of public infrastructure, the indispensable ingredient for increased productivity of an economy. It took concerted efforts from *outside* Africa to make sure this process did not occur. There were coups, assassinations, credit cutoffs, tribal wars, you name it, all instigated by imperial corporate interests which wanted to ensure that there was no hindrance to their control of the raw materials they wanted.

In fact, the only way that the hideous results of this process

in Africa—genocide—are going to be overcome, is to replace this financial and economic looting system, with a new financial system, this time devoted to international cooperation for economic development, among sovereign nation-states. Major water and power projects are going to have to be funded to supply the needs of the populations. Disease is not going to be defeated without aerial spraying, electrification, draining of swamps. The very same process that was carried out in the Tennessee Valley Authority (TVA) project by Franklin Delano Roosevelt, is going to have to be carried out in Africa.

To do this, however, will require a new arrangement among the advanced sector nations, which, having faced the reality of the bankruptcy of the system, and having rejected the policies of looting poor peoples to death in order to keep it alive, establish a New Bretton Woods System based on a long-term commitment to reindustrialization and growth. The reorganization, and dumping, of the massive financial debt now crippling the world system, is a prerequisite for reversing the current *global* decline in mankind’s ability to survive, and starting an industrial renaissance, whose spinoffs can save not only Africa, but all the poor people of the world.

There is no “enlightened globalization,” the goal Sachs asserts he wants to reach. Unless we shift to a nation-state-based, industrialization perspective, such as LaRouche has put forward, the horrors of Africa will overtake us globally, putting us into a New Dark Age.

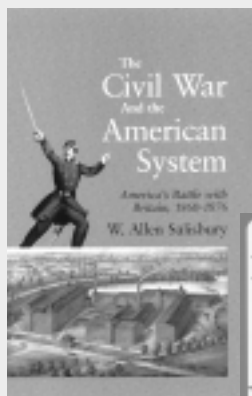
3. “The Genocidal Roots of Bush’s ‘New World Order,’ ” *EIR Special Report*, May 1992.

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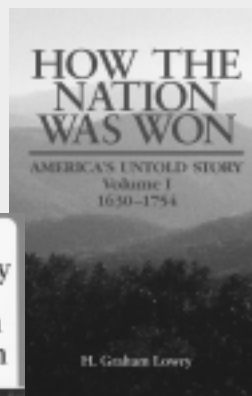
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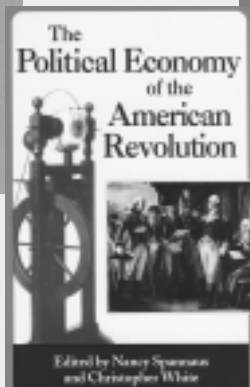
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