

# Capitalism and Insecurity: A Symbiotic Relationship

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## Capitalism and Insecurity: A Symbiotic Relationship

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MATTHEW RIBEIRO NORLEY, FEB 4 2014

In his Nobel Prize winning publication *Capitalism and Freedom*, Milton Friedman underlines the notion that “the fundamental threat to freedom is the power to coerce.” Capitalism, as defined by Allan Collins, is “a mode of production characterised by profit, competition and freedom” (Collins, 2013: 413). Within these three pillars, exist actors who allow this mode of production to function, such as neoliberal institutions, state actors, and Multinational Corporations (MNCs) who enable widespread capital liberalisation and market centred policies. But how do these actors create peace and security for states and the people who inhabit them? The answer is they do not.

Instead, neoliberal capitalism exploits economically weaker states, leading to a compromise in their security. Two prime examples are the cases of Somalia and Haiti in the 1980's, who are to this day constrained by neoliberal policies in ravaged economies, largely disputing Friedman's view that capitalism is synonymous with freedom. Furthermore, Francis Fukuyama's claim that “capitalism flourishes best in a egalitarian society,” when “80% of the world's population live in countries where income differentials are widening” (Global Issues, 2013), is at best sardonic—leaving us to question the integrity of this ‘mode of production.’

Within this premise, therefore, this essay adopts a Marxist approach and exposes the role of the three actors (institutions, imperial nation states, and MNCs) responsible for promoting insecurity in developing states and argues in favour of a “change in the frame of reference, from an economic one serving the interests of the global North to a post colonial one” (Barawi & Laffey, 2006). As a result, this essay neglects both Friedman and Fukuyama's faith in capitalism and concludes that capitalism as a doctrine has perpetuated insecurity, rather than creating security.

The Haiti rice liberalisation case, initiated by the WTO, is an ideal example to reinforce the negative impact played by neoliberal institutions in weaker states through the promotion of Structural Adjustment Programs, or “economic policies for developing countries, by the provision of loans conditional on the adoption of certain policies” (Collins, 2013: 426). The Caribbean island relied on rice as a key security crop prior to 1995; in spite of it being one of the poorest countries in the western hemisphere, Haiti was self sufficient in its production of the crop, while imposing a 35% income tariff on foreign rice, allowing its domestic economy to function (Oxfam, 2002). In 1995, however, the WTO granted Haiti's membership to the international trading club on the condition that the country would slash its import tariffs. This allowed other markets to dump their rice—at shattering costs—into the Haitian economy. For example, “tariffs on rice imports were cut from 35% to 3% in a single stroke with devastating effects on producer prices, production and livelihoods of small farmers” (Oxfam, 2002). Although it is evident that the impacts that came as a result of these policies restricted Haiti's autonomy, what is more concerning is the WTO's disregard for destroying the framework of a society that functioned based on an agrarian model, compromising the nations economic and social security to unimaginable extents.

An equally striking example is the IMF's intervention in Somalia in the early 1980s, which exacerbated the country's agricultural crisis that a drought strained. Somalia's self-sustaining agricultural model allowed it to function without foreign aid until “austerity measures imposed by the Washington consensus” led it into the path of destabilisation (Chossudovsky, 2011). “In Somalia, ten years of IMF economic medicine laid the foundations for the country's transition towards economic dislocation and social chaos” (Chossudovsky, 2011). Today, the country is facing structural violence and famine; for instance, “tens of thousands of people have died from malnutrition in the last few months, and the lives of several million people are threatened” (Chossudovsky, 2011). It is through Somalia's

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anguish that neoliberal capitalism is most accurately portrayed as “the lack of ownership and control of means of production is a fundamental cause of life threatening insecurity for huge numbers of people” (Herring, 2013: 50). This assertion is true for countries such as Somalia and Haiti where neoliberal institutions such as the IMF and the WTO lured the countries out of their own hands. As a result, this premise helps to understand the imperialistic nature of capitalism, as its international agenda serves the interests of the more powerful states and institutions that consolidate their power at the expense of less developed states.

In order to fully appreciate the insecurity promoted by capitalism on a global scale, it is equally important to assess the decisions made by hegemonic powers, such as the USA, when acting as ‘global policemen,’ as well as those made by neoliberal institutions. To recite Noam Chomsky, the Gulf War of 1990 “demonstrated the conduct of ‘business as usual’ for powerful Western elites” (Bayliss, 2011), as Western states led by the USA invaded Kuwait, opting to use military force rather than compromising through diplomacy to avoid war. This underpins the Marxist notion of militarism, “the idea that military efficiency is the highest duty of the state” (Collins, 2013: 421), and strengthens the argument against capitalism for its promotion of structural violence to achieve an outcome.

Similarly, the US led invasion in the 2003 Iraq War reinforces Marxist belief that hegemonic states like “the USA have positioned themselves as the policemen of world capitalism” (Bayliss, 2011). Economic interests, in particular, play a role here, as the Bush oligarchy pushed for direct control of the second largest oil producer in the Middle East, Iraq (Ollman, 2003). Prior to 2003, no Western oil firm had a footing in Iraq, “but thanks to the invasion and occupation, the companies are now back” (Jamall, 2012). The continued presence of oil companies in the region in 2013 questions the West’s rhetoric nearly a decade ago, when soldiers were mobilised in the face of a humanitarian crisis and what was positioned as a security threat to the West.

Instead, the coin has flipped. There is far more insecurity in Iraq while the USA has stood out to benefit from the resource abundance now in their hands. In fact, as stated rather bluntly by Abdullhay Zalloum in *Oil Crusades: America Through Arab Eyes*, “the last thing the US cares about in the Middle East is democracy. It is about oil, full stop.” The economic agenda led by the West has resulted in the decimation of Iraq’s internal stability, with *Foreign Policy* currently classifying it as a “failed state in critical condition” and where there have been nearly 115,000 casualties since 2003. This is in line with the Marxist argument illustrated in this essay, ‘that capitalist states prioritise their economic agenda over the security of states in the developing world.’ Nonetheless, examples such as these that have enabled “writers such as Noam Chomsky and Eric Herring to argue the ways in which powerful states in the West are threats to international peace and security, rather than solely providers of security” (Baylis, 2011).

Also inherent to capitalism, and a key culprit in aggravating economic insecurity in developing countries, is the role of Multinational Corporations (MNCs). The assumption that international activities of MNCs benefit the pockets of rich and poor alike is largely misjudged, according to Chomsky in his analysis *Power in the Global Arena*. To reinforce this claim, a report from Oxfam criticises MNCs for widening the poverty gap in developing countries: “twenty years ago, the ratio of average income in the LDC countries to average income in rich countries was 1:87, it is now 1:98 and the gap is widening at an accelerating rate” (Oxfam, 2006). The alarming nature of widespread economic inequality is largely due to the facilitated entry of MNCs into poorer countries, where often, poorer countries are unable to resist the economic benefits that could be introduced by international commerce, often occurring at the expense of a lack of autonomy within the economic sector. (Collier, 2010: 55).

A prime example of this follows Myanmar’s ‘opening up’ to foreign multinationals earlier this year where, among many problems, lies a threat posed by the international tobacco industry. In a country where only 9.2% smoke western styled filter cigarettes, MNCs have targeted a huge opportunity. Although “the health ministry is trying to implement measures to curb smoking, the trade ministry is keen to lure in millions of dollars” (Min, 2013). This dilemma summarises the issues that have been addressed not only from an economic security perspective but also from another security angle- human security. Though the Myanmar government has attempted to protect its civilians from these threats, it has prioritised its economic security by allowing British American Tobacco to invest \$50 million in the economy. Considering that “local cigarette firms are no match [to multinationals]” (Min, 2013), we are likely to witness the tobacco industry in Myanmar shift into western hands.

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As this example demonstrates, often developing countries have no option but to allow MNCs into their economies. However, this happens at the expense of reduced economic security, and in this case, the security of its people for health reasons. Furthermore, the example also reinforces the notion that capitalism is a system that operates at the mercy of economic incentives, highlighting the economy as the referent object in the neoliberal capitalist scope, and dismissing all else.

As this essay demonstrates, the economic exploitation of the developing world is a characteristic inherent to the very functioning of capitalism, whose process has been explained through an understanding of its catalysts: neoliberal institutions, imperial states, and multinational corporations. In spite of Kant's assumption that "the spirit of commerce cannot exist side by side with war," this essay's case studies serve as stinging examples to strongly counter the liberalist notion that capitalism is synonymous with freedom. Instead, this essay conforms to a Marxist approach to the study of capitalism and reveals that capitalism perpetuates global insecurities rather than creating peace and security.

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