

PAUL JAY: Welcome to The Real News Network. We're in Cambridge at MIT with Professor Noam Chomsky, who I think needs no introduction. Thanks for joining us.

CHOMSKY: Glad to be with you.

JAY: So a few days ago, the Obama administration and Geithner, they announced their plan for the banks. What do you make of it?

CHOMSKY: Well, there are several plans, actually. One is capitalization. The other, the more recent one, is picking up the toxic assets with a private-public coalition. And that sent the stock market zooming right away. And you can see why: it's extremely good for bankers and investors. It means that an investor can, if they want, purchase these valueless assets. And if they happen to go up, well, it makes money; if they go down, the government insures it. So there might be a slight loss, but there could be a big gain. And that's—one financial manager put it in The Financial Times this morning, "It's a win-win situation."

JAY: A win-win situation if you're the investor.

CHOMSKY: If you're the investor, yeah.

JAY: If you're the investor.

CHOMSKY: For the public it's a lose-lose situation. But they're simply recycling, pretty much, the Bush-Paulson measures and changing them a little, but essentially the same idea: keep the institutional structure the same, try to kind of pass things up, bribe the banks and investors to help out, but avoid the measures that might get to the heart of the problem—however, at the cost, if you consider it a cost, of changing the institutional structure.

JAY: What's the plan you would support?

CHOMSKY: Well, I mean, say, for example, take the bonuses, the AIG bonuses that are, you know, causing such anger, rightfully. Dean Baker pointed out that there's an easy way to deal with it. Since the government pretty much owns AIG anyway (it just doesn't use its power to make decisions), split off the section of AIG—the financial investment section—that caused all the problems, split it off, and let it go bankrupt. And then the executives can seek to get their bonuses from a bankrupt firm if they like. So that would pretty much take care of the bankruptcy problem, and the government would still maintain its large-scale effective control, if it wants to exert it, of what's viable in AIG. And with the banks, the big banks, like Bank of America, one of the big problems is nobody knows what's going on inside. You know, there are very opaque devices and manipulations which technically the government—. They're not going to tell you themselves. You know, why should they? It's not their business. In fact, when Associated Press sent journalists to interview bank managers and investment-firm managers and ask them what they've done with the TARP [Troubled Assets Relief Program] money, they just laughed. They said, "It's none of your business. We're private enterprises. Your task, the public, is to fund us, but not to know what we're doing." But the government could find out—namely, essentially, take over the banks.

JAY: Is all of this sort of machinations of policy because they want to avoid nationalization?

CHOMSKY: You don't have to use the word "nationalization" if it bothers people, but some form of, you know, receivership which would at least allow independent investigators, government investigators, to get into the books, find out what they're doing, who owes what to whom, which is the basis for any form of modification. I mean, it could go on to something much beyond, but it's not contemplated. It's not a law of nature that corporations have to be dedicated solely to profit for their shareholders. It's not even legislation. It's mostly court decisions and management rules and so on. And it's perfectly conceivable for corporations, if they exist, to be responsible to stakeholders, to the community, to the workforce.

JAY: Well, especially when it's all public money at this point that's running the system.

CHOMSKY: Look, fact of the matter is it's almost always public money. So take, say, the richest man in the world, Bill Gates. How did he become the richest man in the world? Well, a lot of it was public money. In fact, places like where we're sitting right now,—

JAY: MIT.

CHOMSKY: —that's where computers were developed, the Internet was developed, fancy software was developed, either here or in similar places, and almost entirely on public funding. And then, of course, I mean, the way the system works, fundamentally—it's kind of an overstatement, but fundamentally, is that the public pays the costs and takes the risks, and the profit is privatized.

JAY: Which is what we're seeing now with the whole [inaudible] bailout.

CHOMSKY: Well, there's a lot of talk about it now because it's the financial institutions and it's very visible, but this happens all the time. I mean, as I say, computers and the Internet, the basis for the IT revolution in the late '90s.

JAY: So when you say "challenging the institutional structure," what would you like to see happen?

CHOMSKY: For a start, corporations, banks, and so on should be, I think, responsible to stakeholders. That's not a huge change. In fact, it's even been brought to the courts. It was an important case, highly relevant now. About 30 years ago, when the major steel companies wanted to destroy the Youngstown steel plants—major part of the steel industry, you know, the core of the community had been built up around it, and so on—and they wanted to move it or get rid of it. And the workers and the community wanted to keep it and felt they could run it privately. And in fact they brought a case up through the courts, arguing that the management rules ought to be changed so that stakeholders, rather than just shareholders, would have control over the corporation. Well, it lost in the courts, naturally, but it's a perfectly feasible idea. It could be a way to keep communities alive and the industry here.

JAY: So if you're looking at the financial system now and you take this principle, the representing the interests of all stakeholders, not just shareholders, what would that look like in terms of policy?

CHOMSKY: First of all, to begin with, it would mean that the government would not just bail out the banks, pour capital into them, but would exercise control. And control begins with inspection. So we find out what they're doing. And then you keep the viable parts. And if they're viable, they might just vote it into public control. I mean, the government could probably have, you know, bought AIG or Citigroup for far less than what they're paying them now. I mean, in a democratic society, the government would meet the public, and then there should be direct public engagement in what these institutions ought to do and how they ought to distribute their money, what the terms ought to be, and so on. I mean, they could be democratically run by the workforce, by the community.

JAY: But doesn't it—whether you use the word or not, requires a kind of nationalization. I mean, does the bank then become a publicly owned institution?

CHOMSKY: They become publicly owned institutions which serve the public and where decisions are made by the public. That's a long way off. You have to approach that in steps. When you think of nationalization, you know, the doctrinal system, with historical reasons, associates nationalization with, you know, some Big Brother taking it over, and the public follows orders. But that's not necessarily the way it's done. There are many nationalized institutions that are run quite efficiently. In fact, take, say, Chile, which is supposed to be the poster child for, you know, Thatcherite/Reaganite free-market economics. A large part of the economy's based on a nationalized, very efficient copper producer, Codelco, which was nationalized by Allende, but was so effective that during the Pinochet years it was never dismantled. Actually, it's being sort of chipped away at now, but it still provides the—I think it's still the biggest copper producer in the world, provides most of the government income. And elsewhere too there are highly successful nationalized firms. But nationalization is only one step towards democratization. The question is who manages them, who makes the decisions, who controls them. Now, in the case of nationalized institutions, it's still top-down, but it doesn't have to be. I mean, again, it's not a law of nature that institutions can't be democratically run.

JAY: What would it look like?

CHOMSKY: What would they look like?

JAY: Mm.

CHOMSKY: The participation by workers councils, by community organizations at meetings, discussions in which policies are made—that's how democracy's supposed to work. I mean, we're very far from that, I mean, even in the political system. Just take, say, primaries. Okay, the way our system works, candidates running for office, his campaign managers go to some town in New Hampshire and they set up a meeting, and the candidate comes in and says, "Here's what a nice guy I am. Vote for me." You know. And people either believe him or not and go home. Suppose we had a democratic system that worked the other way around. The people in the town of New Hampshire would get together at conferences, meetings, public organizations, and so on, and they would work out the policies that they would like to see. And then, if somebody's running for office, he can come; if they want, they could invite him, and he would listen to them. They would say, look, here's the policies we want you to implement; if you can do this, we'll allow you to represent us, but we'll recall you if you're not doing it.

JAY: Well, as you say, this is far off in terms of today's politics.

CHOMSKY: It's not that far off. It happens.

JAY: But at the national level, it's—

CHOMSKY: At the national level it's far off. But let's take what's probably the most democratic country in the Western Hemisphere, although people don't like to think of it that way, Bolivia. It's the poorest country in the hemisphere. It's the poorest in South America. It's had elections in the last couple of years in which the large majority of the population, who happen to be the most repressed people in the hemisphere, the indigenous population, have for the first time in 500 years entered the political arena, determined the policies they want, and elected a leader from their own ranks, a poor peasant. And the issues are very serious—their control over resources, economic justice, cultural rights, the complexities of a very diverse multi-ethnic society. The policies are pretty much coming out of the public themselves, and the president is supposed to implement them. Now, you know, nothing works that perfectly, all sorts of problems, but that's kind of the basic theme. Okay. That's functioning democracy. It's almost the opposite of the way our system works.

JAY: Well, in the next segment of our interview, let's talk about the future of democracy, or what we might call it, in the United States. Please join us for the next segment of our interview with Professor Noam Chomsky.

Part 2

PAUL JAY: Welcome back to The Real News Network. We're at Cambridge at MIT with Professor Noam Chomsky. Thanks for joining us again. So, in the first segment of our interview, we talked about what a Chomsky-supported economic plan might look like, which has to do with considering the public stakeholders, I guess, and not just consumers, and what that might mean in terms of banking and democracy. And as we get into the issue of democracy, what do you think in fact is going to happen here? By that I mean the current plans for the financial sector, the auto sector, the general stimulus plan. One, do you think they're going to work? And if they're not going to work, what are we heading into in terms of the intensity of the crisis? And what does that mean in terms of American democracy?

NOAM CHOMSKY: I don't think anybody knows whether they're going to work. It's kind of shots in the dark. The general—and I don't have any particular insight—my guess is that it's not going to be the Great Depression, but that there may be some difficult years ahead and a lot of patchwork if the current policies are pursued. Now, the crucial core of current policies is keep the institutional structure stable: same structure to authority;

domination, decision-making from the top. You know, public has a role. You know, it can be consumers. You can rent yourself to it—it's called getting a job.

JAY: And putting up the money to bail out.

CHOMSKY: And you can put up the money to bail it out, but you're not part of the decision-making apparatus. There's almost certainly—in fact, it's certain there will be some form of regulation. I mean, the deregulation mania of the past 30 years, based on really fundamentalist religious concepts about efficient markets, I mean, that's pretty much gone, and that went very fast. So take, say, Lawrence Summers, who's now the chief—practically the chief economic advisor, has got to rebuild the regulation system of the kind he destroyed a few years ago. He was in the lead in blocking Congress from regulating derivatives and other exotic instruments, under the influence of these pretty much smashed ideas about efficient markets and rational choice and so on. Alright, that much is really shattered, and there will be a reconstruction of some regulatory apparatus. But the history of this is pretty clear and understandable: regulatory systems tend to be taken over by the industries that they're regulating. That's the way it worked with the railroads and so on. And it's natural. You know, they have power, concentrated power, concentrated capital, enormous political influence—they pretty much run the government. So it ends up with them taking over control of the regulatory apparatus in their own interest. And it may work. You know. So, for example, during [what] many economists call the golden age of modern state capitalism, roughly 1950 to the mid-'70s, you know, there were no huge crises. There was a regulatory system, there was regulation of capital flows, exchange rates, and so on, and it led to the greatest peacetime growth in history. It changed in the mid-'70s when the economy moved towards deregulation and financialization, huge-amount increase in flows of speculative financial capital, mythologies about efficient markets. And there was growth, of course, but it was highly concentrated in a few pockets, and we've been through 30 years of relative stagnation in real wages for the majority of the population.

JAY: And how does any of that change? The stimulus [inaudible] stimulus plan [inaudible]

CHOMSKY: No. In fact, it's not—well, you know, it's interesting. There's a slight redistributive aspect in tax policy, very slight. I mean, it's called, you know, socialism, communism, and so on, but it barely gets back to where it was a few years ago. On the other hand, the best way to lead to a more egalitarian system would be, simply, permit unionization. Unions traditionally have not only improved the lives and benefits and, you know, working conditions and wages of workers, but they have also helped democratize society. They are one of the few means in which, you know, ordinary people can get together and make plans and influence public choices and so on. Now, that's not being pursued. In fact, it's kind of interesting: it's almost been driven out of our minds. There was a dramatic example of that a couple of weeks ago. President Obama wanted to show his solidarity with working people, so he went to Illinois and talked at an industrial plant. The choice was striking: he chose Caterpillar. Now, he had to do that over the objections of church and human rights groups because of the devastating effect that Caterpillar machines are having in the Israeli-occupied territories, where they're wiping out agricultural land and destroying all of the roads and villages and so on. But nobody, as far as I can see, noticed something even more dramatic. I mean, Caterpillar has a role in US labor history. Caterpillar was the first plant in generations to bring in scabs to destroy a strike. Now, that was, I think, 1988, sort of part of the Reagan attack on labor, but this was the first industrial installation to do it. Now, that's a huge, important fact. At that point, the United States was alone, along with South Africa, in permitting anything like this. And that essentially destroys the right of association for working people.

JAY: The Employee Free Choice Act, which is supposed to be something that's going to facilitate unionization, we haven't heard much about it since the election.

JAY: Didn't hear much about it. We didn't hear anything when Obama went to the plant, which is the symbol of destruction of labor by unfair practices, because this has been driven out of people's minds. The Employee Free Choice Act is always misrepresented. It's described as an effort to avoid secret elections. It's not that. It's an effort to allow workers to decide whether there should be secret elections, instead of leaving decisions entirely in the hands of employers, who can use card check if they want [inaudible] they can choose, you know, a secret election, but workers can too. That's what the act would now—. On the campaign trail, Obama talked about it, but it steadily receded into the background. And a much bigger step towards, you know, overcoming the radical redistribution to the top that took place in the last 30 years would simply be to ease the efforts at unionization. Now, you know, every recent president since Reagan has attacked this. I mean, Reagan straight out told employers, "We're not going to apply the law." So firing of workers—legal firing—for organizing I think tripled, according to Business Week, during the Reagan years. When Clinton came along it was basically a different device—it's called NAFTA. NAFTA provided employers with a wonderful means to prevent organizing: just put up a big sign saying "Mexico transfer operation." It's illegal, but if the government's an outlaw government, you can get away with it. And the Bush years we don't have to talk about. But you could reverse this, and that would be a significant step towards not only slightly reversing the enormous redistribution of income to the top, but also democratizing the society by providing mechanisms by which people can act politically in their own interest. But, you know, that's so far at the margins it's barely being discussed. And things like, say, stakeholder control of institutions, workers in the community, it's not much below the surface in people's minds. It is being pushed aside. Now, if you look back to the 1930s, when maybe the closest—it's not the same, but rather similar issues were arising, what really struck fear into the hearts of the business world were the sit-down strikes. That's when business started talking about the hazard facing industrialists and the rising political power of the masses and so on. Now, what's so threatening about a sit-down strike? Well, you know, a sit-down strike is just five seconds before the idea emerges, "Why should we sit here? Why not run the factory? We can do it, arguably better than the managers can, 'cause we know how it works." Now, that's frightening. And it's beginning to happen. Just a month ago there was a sit-down strike in a Chicago plant, Republic Windows and Floors, I think it was called. You know, the multinational that owned it wanted to close it down or move it somewhere or something. And the workers, they demonstrated it and protested, you know, and so on, but finally there was a sit-down strike. Well, they sort of half-won; they didn't completely win. A lot of them kept their jobs. A different company bought it. But it didn't move on to the next step. The next step is, "Well, why shouldn't we run the plant, along with the community, which cares about it, and maybe a broader community, which also cares, in the general public?" Well, you know, those are issues that really ought to be discussed.

JAY: In the next segment of our interview, let's take this conversation of what American democracy might look like in the next few years, especially if this economic crisis continues to unravel. Please join us for the next segment of our interview with Noam Chomsky.