

Understand the Globalization of Poverty and the New World Order

Look Inside this Bestselling Book!

By [Prof Michel Chossudovsky](#)
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Theme: [Global Economy](#), [Poverty & Social Inequality](#)

[The Globalization of Poverty and the New World Order](#)

by Michel Chossudovsky

In the expanded second edition of Chossudovsky's international best-seller, the author outlines the contours of a New World Order which feeds on human poverty and the destruction of the environment, generates social apartheid, encourages racism and ethnic strife and undermines the rights of women. The result as his detailed examples from all parts of the world show so convincingly, is a globalization of poverty.

This book is a skillful combination of lucid explanation and cogently argued critique of the fundamental directions in which our world is moving financially and economically.

In the enlarged second edition, the author reviews the causes and consequences of famine in Sub-Saharan Africa, the dramatic meltdown of financial markets, the demise of State social programs and the devastation resulting from corporate downsizing and trade liberalisation.

"This concise, provocative book reveals the negative effects of imposed economic structural reform, privatization, deregulation and competition. It deserves to be read carefully and widely."
- Choice, American Library Association (ALA)

"The current system, Chossudovsky argues, is one of capital creation through destruction. The author confronts head on the links between civil violence, social and environmental stress, with the modalities of market expansion."
- Michele Stoddard, Covert Action Quarterly

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Preface to the Second Edition

Barely a few weeks after the military coup in Chile on September 11, 1973, overthrowing the elected government of President Salvador Allende, the military Junta headed by General Augusto Pinochet ordered a hike in the price of bread from 11 to 40 escudos, a hefty overnight increase of 264%. This economic shock treatment had been designed by a group

of economists called the “Chicago Boys”.



At the time of the military coup, I was teaching at the Institute of Economics of the Catholic University of Chile, which was a nest of Chicago trained economists, disciples of Milton Friedman. On that September 11, in the hours following the bombing of the Presidential Palace of La Moneda, the new military rulers imposed a 72-hour curfew. When the university reopened several days later, the “Chicago Boys” were rejoicing. Barely a week later, several of my colleagues at the Institute of Economics were appointed to key positions in the military government.

While food prices had skyrocketed, wages had been frozen to ensure “economic stability and stave off inflationary pressures.” From one day to the next, an entire country was precipitated into abysmal poverty: in less than a year the price of bread in Chile increased thirty-six times and eighty-five percent of the Chilean population had been driven below the poverty line.

These events affected me profoundly in my work as an economist. Through the tampering of prices, wages and interest rates, people’s lives had been destroyed; an entire national economy had been destabilized. I started to understand that macro-economic reform was neither “neutral” – as claimed by the academic mainstream – nor separate from the broader process of social and political transformation. In my earlier writings on the Chilean military Junta, I looked upon the so-called “free market” as a wellorganized instrument of “economic repression”.

Two years later in 1976, I returned to Latin America as a visiting professor at the National University of Cordoba in the northern industrial heartland of Argentina. My stay coincided with another military coup d’état. Tens of thousands of people were arrested and the Desaparecidos were assassinated. The military takeover in Argentina was a “carbon copy” of the CIA-led coup in Chile. Behind the massacres and human rights violations, “free market” reforms had also been prescribed – this time under the supervision of Argentina’s New York creditors.

The International Monetary Fund’s (IMF’s) deadly economic prescriptions applied under the guise of the “structural adjustment program” had not yet been officially launched. The experience of Chile and Argentina under the “Chicago Boys” was a dress rehearsal of things to come. In due course, the economic bullets of the free market system were hitting country after country. Since the onslaught of the debt crisis of the 1980s, the same IMF economic medicine has routinely been applied in more than 150 developing countries. From my earlier work in Chile, Argentina and Peru, I started to investigate the global impacts of these reforms. Relentlessly feeding on poverty and economic dislocation, a New World Order was taking shape.

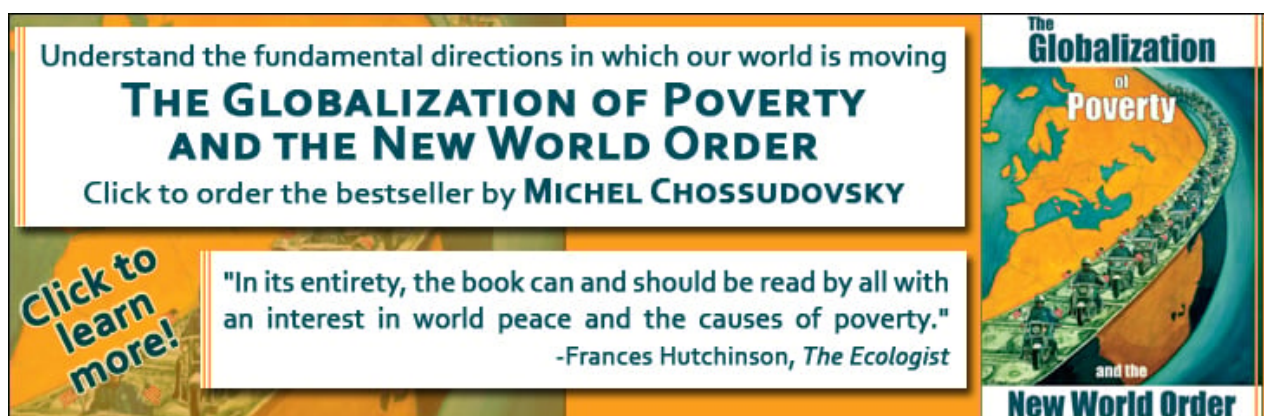
Meanwhile, most of the military regimes in Latin America had been replaced by parliamentary “democracies”, entrusted with the gruesome task of putting the national economy on the auction block under the World Bank sponsored privatization programs. In 1990, I returned to the Catholic University of Peru where I had taught after leaving Chile in the months following the 1973 military coup.

I had arrived in Lima at the height of the 1990 election campaign. The country’s economy

was in crisis. The outgoing populist government of President Alan Garcia had been placed on the IMF “black list”. President Alberto Fujimori became the new president on the 28th of July 1990. And barely a few days later, “economic shock therapy” struck – this time with a vengeance. Peru had been punished for not conforming to IMF diktats: the price of fuel was hiked up by 31 times and the price of bread increased more than twelve times in a single day. The IMF – in close consultation with the US Treasury – had been operating behind the scenes. These reforms – carried out in the name of “democracy” – were far more devastating than those applied in Chile and Argentina under the fist of military rule. In the 1980s and 1990s I traveled extensively in Africa. The fieldresearch for the first edition was, in fact, initiated in Rwanda which, despite high levels of poverty, had achieved self-sufficiency in food production. From the early 1990s, Rwanda had been destroyed as a functioning national economy; its once vibrant agricultural system was destabilized. The IMF had demanded the “opening up” of the domestic market to the dumping of US and European grain surpluses. The objective was to “encourage Rwandan farmers to be more competitive”. (See Chapter 7.)

From 1992 to 1995, I undertook field research in India, Bangladesh and Vietnam and returned to Latin America to complete my study on Brazil. In all the countries I visited, including Kenya, Nigeria, Egypt, Morocco and The Philippines, I observed the same pattern of economic manipulation and political interference by the Washington-based institutions. In India, directly resulting from the IMF reforms, millions of people had been driven into starvation. In Vietnam – which constitutes among the world’s most prosperous rice producing economies – local-level famines had erupted resulting directly from the lifting of price controls and the deregulation of the grain market.

Coinciding with the end of the Cold War, at the height of the economic crisis, I traveled to several cities and rural areas in Russia. The IMF-sponsored reforms had entered a new phase – extending their deadly grip to the countries of the former Eastern bloc. Starting in 1992, vast areas of the former Soviet Union, from the Baltic states to Eastern Siberia, were pushed into abysmal poverty.



Work on the first edition was completed in early 1996, with the inclusion of a detailed study on the economic disintegration of Yugoslavia. (See Chapter 17.) Devised by World Bank economists, a “bankruptcy program” had been set in motion. In 1989-90, some 1100 industrial firms were wiped out and more than 614,000 industrial workers were laid off. And that was only the beginning of a much deeper economic fracturing of the Yugoslav Federation.

Since the publication of the first edition in 1997, the World has changed dramatically; the

“globalization of poverty” has extended its grip to all major regions of the World including Western Europe and North America.

A New World Order has been installed destroying national sovereignty and the rights of citizens. Under the new rules of the World Trade Organization (WTO) established in 1995, “entrenched rights” were granted to the world’s largest banks and multinational conglomerates. Public debts have spiraled, state institutions have collapsed, and the accumulation of private wealth has progressed relentlessly.

The US-led wars on Afghanistan (2001) and Iraq (2003), mark an important turning point in this evolving New World Order. As the second edition goes to print, American and British forces have invaded Iraq, destroying its public infrastructure and killing thousands of civilians. After 13 years of economic sanctions, the war on Iraq plunged an entire population into poverty.

War and globalization go hand in hand. Supported by America’s war machine, a new deadly phase of corporate-led globalization has unfolded. In the largest display of military might since the Second World War, the United States has embarked upon a military adventure, which threatens the future of humanity.

The decision to invade Iraq had nothing to do with “Saddam’s weapons of mass destruction” or his alleged links to Al Qaeda. Iraq possesses 11 percent of the World’s oil reserves, i.e. more than five times those of the US. The broader Middle East-Central Asian region (extending from the tip of the Arabian peninsula to the Caspian sea basin) encompasses approximately 70% of the World’s reserves of oil and natural gas.

This war, which has been in the planning stage for several years, threatens to engulf a much broader region. A 1995 US Central Command document confirms that “the purpose of US engagement. . . is to protect US vital interest in the region – uninterrupted, secure US/Allied access to Gulf oil” .

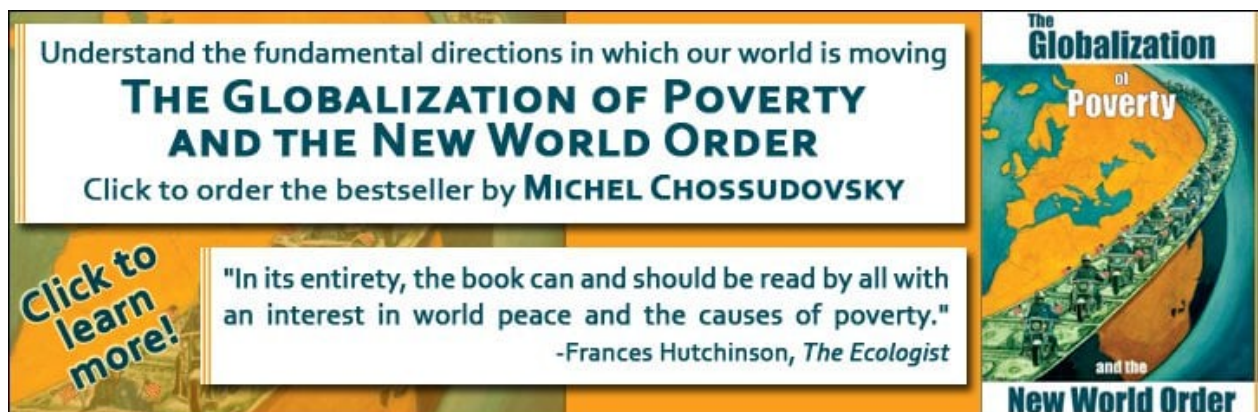
In the wake of the invasion, Iraq’s economy has been put under the jurisdiction of the US military occupation government led by retired General Jay Gardner, a former CEO of one of America’s largest weapons producers.

In liaison with the US administration and the Paris Club of official creditors, the IMF and World Bank are slated to play a key role in Iraq’s post-war “reconstruction”. The hidden agenda is to impose the US dollar as Iraq’s proxy currency, in a currency board arrangement, similar to that imposed on Bosnia-Herzegovina under the 1995 Dayton Accord. (See Chapter 17.) In turn, Iraq’s extensive oil reserves are slated to be taken over by the Anglo-American oil giants.

Iraq’s spiralling external debt will be used as an instrument of economic plunder. Conditionalities will be set. The entire national economy will be put on the auction block. The IMF and the World Bank will be called in to provide legitimacy to the plunder of Iraq’s oil wealth.

The deployment of America’s war machine purports to enlarge America’s economic sphere of influence in an area extending from the Mediterranean to China’s Western frontier. The US has established a permanent military presence not only in Iraq and Afghanistan, but it has military bases in several of the former Soviet republics as well. In other words,

militarization supports the conquest of new economic frontiers and the worldwide imposition of the “free market” system.



Global Depression

The onslaught of the US-led war is occurring at the height of a global economic depression, which has its historical roots in the debt crisis of the early 1980s. America's war of conquest has a direct bearing on the economic crisis. State resources in the US have been redirected towards financing the military-industrial complex and beefing up domestic security at the expense of funding much needed social programs which have been slashed to the bone.

In the wake of September 11, 2001, through a massive propaganda campaign, the shaky legitimacy of the “global free market system” has been reinforced, opening the door to a renewed wave of deregulation and privatization, resulting in corporate take-overs of most, if not all, public services and state infrastructure (including health care, electricity, water and transportation).

Moreover, in the US, Great Britain and most countries of the European Union, the legal fabric of society has been overhauled. Based on the repeal of the Rule of Law, the foundations of an authoritarian state apparatus have emerged with little or no organized opposition from the mainstay of civil society.

The new chapters added to this second edition address some of the key issues of the 21st century : the merger boom and the concentration of corporate power, the collapse of national and local level economies, the meltdown of financial markets, the outbreak of famine and civil war and the dismantling of the Welfare State in most Western countries.

In Part 1, a new Introduction and a chapter entitled “Global Falsehoods” have been added. Also in Part 1, the impacts of “free markets” on women's rights are examined. In Part II, on sub-Saharan Africa, the chapter on Rwanda has been expanded and updated following fieldwork conducted in 1996 and 1997. Two new chapters, respectively, on the 1999- 2000 famine in Ethiopia and on Southern Africa in the post-Apartheid era have been added. The chapter on Albania in Part 5, focuses on the role of the IMF in destroying the real economy and precipitating the breakdown of the country's banking system.

A new Part 6 entitled “The New World Order” includes five chapters. Chapter 18 centers on the “structural adjustment program” applied in Western countries under the surveillance of the World's largest commercial and merchant banks. The ongoing economic and financial crisis is reviewed in Chapters 19 and 20. Chapters 21 and 22 examine, respectively, the fate of South Korea and Brazil in the wake of the 1997-1998 financial meltdown, as well as the

complicity of the IMF in furthering the interests of currency and stock market speculators.

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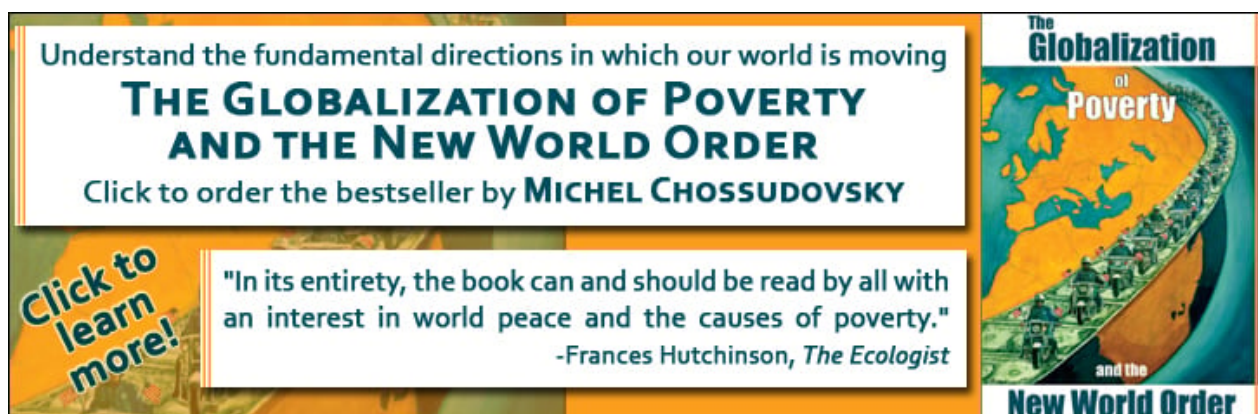
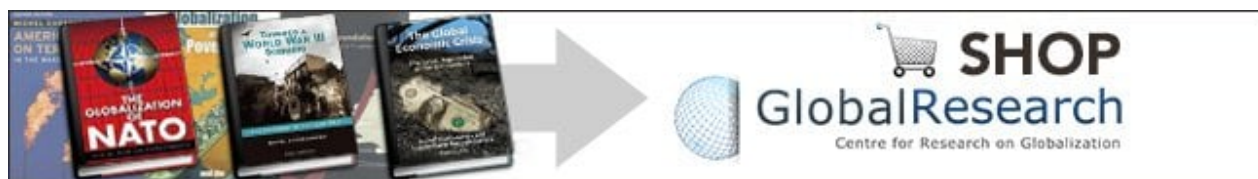
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