

American Journal of Economics and Sociology, Inc.

Confessions of an Economic Hit Man by John Perkins

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American Journal of Economics and Sociology, Vol. 65, No. 2 (Apr., 2006), pp. 469-472

Published by: [American Journal of Economics and Sociology, Inc.](#)

Stable URL: <http://www.jstor.org/stable/27739572>

Accessed: 19/03/2013 18:12

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If one accepts the authors' conclusion that derivative pricing is flawed because it does not include many important sociohistoric and cultural factors, then one wonders why no arbitrage opportunities have existed for investors who include these factors. Furthermore, if the authors really believe that derivatives are the "fetishized appearance of a much more complex reality," then perhaps they are expecting too much from derivatives—or at least more than these instruments were developed to achieve.

The arguments in this book focus on speculative international capital flows, so the analysis would be enriched if these flows were put into the broader context of a nation's overall balance of payments. For instance, large deficits in a nation's capital account must be counterbalanced by surpluses in its combined current account and official reserves account. The authors seem to be well aware of these linkages, which is why the omission of this broader discussion is evident.

The perspectives of LiPuma and Lee on derivatives markets are iconoclastic. As a result, this book provides readers with some fresh ideas on possible endogenous and exogenous causes and effects of international financial market development. The authors raise many important issues, such as the appropriate levels of infrastructure, resources, and political stability needed to compete in globally integrated, international capital markets. Their discussion of the power that international capital flows have on economic and political autonomy is timely. In fact, reading this book and considering its conclusions, one gets the feeling that it could just as easily have been entitled *International Capital Markets and the Globalization of Risk*. Whether you agree or disagree with the authors' conclusions, there are many interesting and thoughtful insights in this book.

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Perkins, John. 2004. *Confessions of an Economic Hit Man*. ISBN: 1-57675-301-8

Confessions of an Economic Hit Man is in some ways informative, but it is also misleading. This book is informative because its author has

inside information on policies that favored American corporate interests. John Perkins worked for an international consulting firm that examined various foreign lending programs, putting him in a position to see how this process really worked. The author, however, does not provide much in the way of credible independent evidence to support his claims. This book, as the title implies, consists of his own personal recollections. Yet, even if his personal recollections accurately reflect the most relevant aspects of international lending and U.S. foreign policy, this does not mean that his interpretation of the fundamental causes behind these events are accurate.

The financing came from institutions such as the World Bank, the Inter-American Development Bank, the International Monetary Fund, and the Asian Development Bank. Typically, these programs would burden third-world nations with massive debt. Local elites and U.S. corporations profited from how these loans were spent, while the burden of repayment was distributed more equally. One exception was in Saudi Arabia, where Perkins worked on plans to funnel petrodollars, instead of loans, back to the United States.

The projects that these schemes funded often caused dependency on the United States and environmental degradation, especially where the oil industry was involved. The CIA and the U.S. military supported and even installed dictators who would go along with these financial schemes. Supposedly benevolent rulers such as Jacobo Arbenz in Guatemala and Omar Torrijos in Panama were replaced by tyrants like Castillo Armas and Manuel Noriega. Perkins insinuates that the United States used coups and assassination to achieve its imperialistic aims. His role in these matters was to concoct economic reports that supported these schemes. Perkins confesses to deliberately inflating the projected benefits from these projects.

Perkins claims that his book is his confession. It is far more than that: his book is an accusation. Perkins charges Americans with living gluttonous, unbalanced lives. American gluttony imposes poverty and environmental degradation abroad. Americans are also misinformed; the corporate media perpetuates and strengthens the imperialistic corporate system that exploits people the world over. Misinformation is not the main problem, however. We let ourselves be fooled because imperialism is good for us. The attacks on September 11, 2001,

resulted from U.S. imperialism toward the Islamic world. Resentment of the United States is building and could result in disaster worse than that of September 11 unless we act to stop this process. How can we do this? Perkins challenges Americans to make their own confessions. We must face up to our own moral failings and educate others to do so. Once we face up to the truth, radical change will be possible. Companies like Nike and McDonalds could then pursue feeding and clothing the world's poor as their *primary* goals. This would be no more difficult than putting a man on the moon.

Perkins suggests both scientific research into alternatives to oil and also moral education as solutions to the problems of globalization. In fact, his examples point to inherent flaws in the politics of international aid. The fundamental problem with this book is that its author does not understand how imperfections in the political process lead to the problems he describes. Narrow and concentrated interests can organize and lobby government far more easily than can large and diffuse interests. Special interests simply face lower costs in organizing and acting to influence public policy. This theoretical proposition implies that international organizations will favor politically connected special interests, such as U.S. corporations, at the expense of large and widely dispersed interests, such as farmers and sweatshop workers across the less developed world. This is exactly what Perkins describes. Instead of telling a moral tale, Perkins should have questioned the efficiency of the process by which international aid policies are formed and implemented. If the people who are wronged by the policies could organize and act with the same ease as U.S. corporate interests, they could not be exploited so easily. Of course, these people are not American citizens. However, one does not need rights of citizenship to lobby. Perkins points to examples of *narrow groups* of foreigners partaking in the exploitation of their own countries.

Perkins also ignores the possibility that many of the problems in third-world countries are largely internal. He lauds particular national leaders who resisted the American "corptocracy" and their scheming economic hit men. He does not explain why supposedly benevolent and wise leaders, like Torrijos, also failed to lift the masses of their countries out of poverty. Perhaps these leaders are not so

benevolent, or maybe their benevolence was misguided. While it would be unreasonable to deny any responsibility of the American "corptocracy" for any problems abroad, the author comes across as if U.S. interests are *solely* responsible for the poverty and environmental degradation abroad.

Confessions is informative as an account of how aid policies benefited politically connected corporations. It is also misleading because it portrays an efficiency problem involving special-interest bias as a moral failing of the American public. Special-interest bias is an inherent defect in activist government policy. Perhaps the solution to the problems described in this book is to end or severely limit foreign direct aid. Confession may be good for the soul, but sound analysis requires valid theoretical concepts.

D. W. MacKenzie