Globalisation Today

ALTERNATIVES TO GLOBALISATION SERIES
Turn it Over ...

ILRIG

Globalisation Today

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Globalisation Today

Why this booklet?

This booklet is for activists. Those of us who are struggling in our communities, homes and workplaces, in campaigns and in programmes of social justice. Those of us concerned with the future of the planet and relations between men and women.

It is also a booklet for anyone interested in the world around us and questioning why wealth and power are so unevenly distributed.

It is not about economics and it does not assume that we need to know anything about what academics and other "experts" call "economics". In fact all the economists and academics, all the rating agencies and the auditing firms who are quoted so extensively at the universities and in the financial media as experts, have mostly been wrong about the current system. They are also wrong in responding to what they now call "a recession" by calling on us once again to be reasonable, to temper our demands, to make sacrifices and to trust them once again to be the experts who can get us out of the mess – the mess they got us into in the first place.

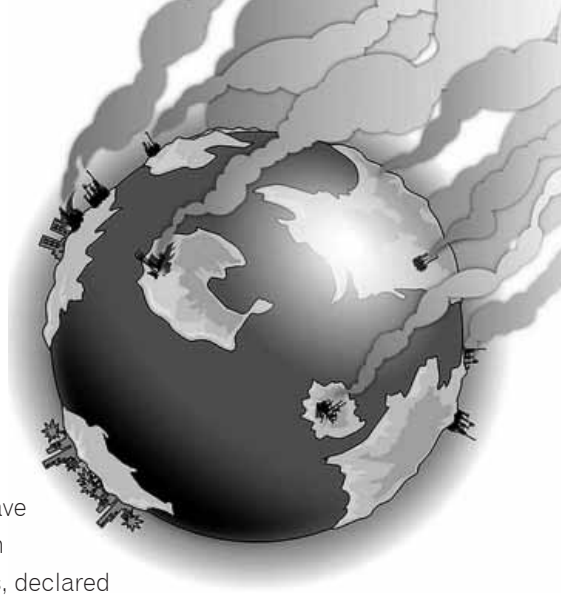
The booklet assumes only that you regard the economic system as produced by human beings, as a result of choices made by governments and people who have wealth and power ...and that other choices are possible.

This booklet tries to help us understand the system of world capitalism and, particularly, why this system is now threatening our very existence.

Nearly 20 years ago, when South Africans began to look forward to freedom from apartheid, ILRIG began programmes on globalisation because then academics and experts and employers told activists to be more realistic in our demands for a better society, and used the notion of "globalisation" as a stick to discipline us and lower our expectations for the new South Africa. ILRIG produced a series of booklets called *An Alternative View of Globalisation* to unmask the political agenda behind this celebration of the term globalisation.

With the current crisis in the world we are now launching a new series: *Alternatives to Globalisation* because the idea that there is an alternative to capitalism is an idea whose time has come.

Introduction



Over the course of 2008 some of the world's biggest banks and mortgage lenders – Lehman Brothers, Washington Mutual, Bear Sterns, the Royal Bank of Scotland and the American International group (AIG) – went bankrupt.

The three biggest car companies in the USA, General Motors, Ford and Chrysler, have begged the US government to bail them out because profits have dropped so much that they cannot operate. In 2009, the world's biggest car company, General Motors, declared bankruptcy.

The US's biggest bank, Citigroup, declared bankruptcy and asked the US state to take a share in the company.

South Africa's biggest monopoly for most of our history – the Anglo American Corporation – declared in 2009 that it couldn't pay first quarter dividends to its shareholders. In the same quarter South Africa experienced its worst decline for 40 years and 500 000 jobs were lost.

In 2008 over $7 trillion dollars were wiped off the value of stock markets. On one single day, 29 September 2008, a trillion dollars' worth of money went up in smoke in Wall Street's steep plunge of 778 points, as investors reacted in panic to the US House of Representatives' rejection of President George W. Bush's $700 billion bailout of financial institutions on the verge of bankruptcy.

Japan, the world's second largest economy, experienced a decline in its national output of 10% from 2008. In the first three months of 2009 output fell by 4%. This is the fastest rate of decline since the second world war. Overall it is the biggest decline of any major economy since the US economy contracted by a quarter during the Great Depression.

Fearing a run on the banks – where millions of people everywhere demand their money from the banks – capitalist governments like the USA, Britain, Iceland and Belgium have nationalised banks and imposed some restrictions on market speculation.

Suddenly all the capitalists – even the most neo-liberal, free marketeers – have begged their governments to use public money to bale out the banks and the speculators.

In response governments in the USA, Japan and the European Union have spent over $14 trillion of public money since 2008 baling out the banks and investors.

- Since the start of 2006 the price of food has sky-rocketed: the average world price for rice has risen by 217%, wheat by 136%, and maize by 125%.
- People across the world, from Mexico to Haiti and Mozambique, have protested against these high food prices.
- Over 100 000 farmers have committed suicide in recent years.
- In Haiti, the poor are eating mud pies, concoctions of mud, oil, and sugar, the only way some of them can now afford to deal with what they call "Clorox hunger", a feeling of starvation so intense it makes you feel as if your insides are being eaten away by bleach.
- Since 2008 there has been a wave of factory occupations across the world as workers have tried to stop retrenchments blamed on the crisis
- Across the world, from Haiti to Cameroon to Egypt to Bangladesh to Indonesia, rising grain prices have sparked food riots and social unrest.
- Since 2007 the price of wheat has risen by 150%, before retreating somewhat, so that it's only up 80%; the price of corn rose 50%. Most remarkably, the price of rice has risen 141% since January 2009.

We have to pay for the sins of the past.

(Klaus Schwab, organiser of the World Economic Forum, at Davos 2009 – the yearly meeting of CEOs, Finance Ministers and others in the Swiss Alps at Davos 2009).

"Laissez-faire is finished, the all-powerful market that is always right, that's finished. It is necessary to rebuild the entire global financial and monetary system from the bottom up, the way it was done at Bretton Woods after World War II."

(French President, Nicholas Sarkozy, 2008)

It is clear. This is not just a matter of something small going wrong. We will have to unite to fight them from all over South Africa. And we will also have to do so globally

(Activist at Anti-Privatisation Forum (APF) workshop Johannesburg, 22 August 2009)

Chapter 1:What caused the crisis?

In this book we will look at two understandings of what caused the crisis:

- The immediate cause – what triggered the crisis when we first got to hear about it in 2008
- The underlying cause – which we talk about from Chapter 2 onwards

The immediate cause of the current economic collapse was something that happened in the United States of America (USA) and then went through a **number of steps** that infected the whole world.

Step 1: Housing prices go up in the USA

From the 1990s prices of houses across the USA were rising.

- The US **Central Bank** – called the Federal Reserve Bank – accelerated this rise by cutting **interest rates**, thereby making borrowing cheaper. This made it easier for people to get loans – called mortgages – to buy houses.
- Easy borrowing to buy houses -in a country that only really knows private ownership of houses - meant that many people were in the market for houses and this drove house prices up rapidly.

Step 2: The banks set up sub-prime loans

- Many banks, mortgage lenders and retail companies took advantage of this situation and made huge loans to individual customers. In some cases, they even lent to people that had bad credit records – these were known as **sub-prime** loans – at higher interest rates.
- Some companies trapped these people into borrowing by initially offering low interest rates for a period of one or two years. Once this period finished, interest on the loans was then hiked up.
- Twenty percent of all loans in the USA by 2007 were sub-prime loans.

Step 3: The banks sell the debt on to other banks

- The banks repackaged the loans in the form a hundreds of different **schemes** and then sold these schemes to other banks and financial investors.
- These other investors were happy to take the risk because they all assumed the housing market in the USA would continue to go up and that cheap credit would continue.
- Under the system of globalisation they can sell these schemes anywhere in the world, so banks in Britain, France, Iceland and Hong Kong were willing to gamble because they could make quick money in this way.
- In the meantime some middle class people in the USA even took out

Central Bank

This is the bank that holds the reserves of a country. It lends money to private banks and sets interest rates. In South Africa this bank is known as the **Reserve Bank** and in the USA it is known as the Federal Reserve Bank.

In of the past central banks were accountable to parliaments but under globalisation they have been made "independent". Neo-liberal politicians argue that they will then make decisions without currying favour to anyone. The South African Reserve Bank is actually not independent because it is owned by the big private banks in SA, although the governor is appointed by the President.

Sub-prime loans

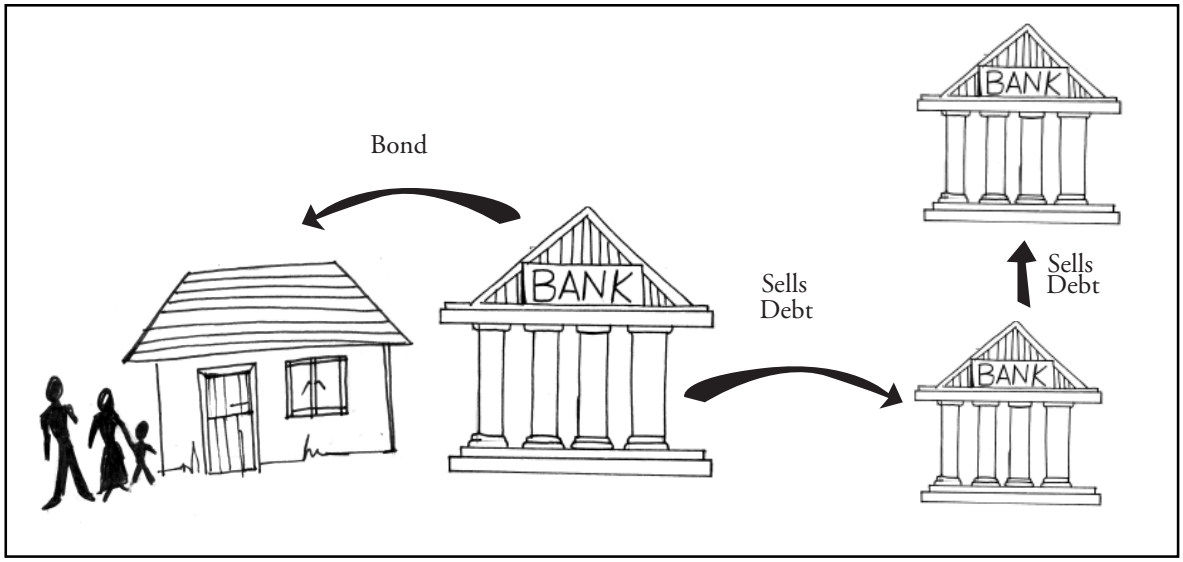
Banks charge their richest clients **prime** interest rates – which are cheaper. The bank charges ordinary people higher interest rates. In the USA banks were so greedy to make money out making housing loans that they even offered loans to people who should not have qualified for these loans. These loans were called **sub-prime.**

Interest Rates

This is the charge made by banks when they make loans. It is expressed as a percentage of the money you borrow. You can understand it as the cost of borrowing money. So when you pay back a loan you have to pay back the amount borrowed plus interest. Banks also borrow and if they borrow from the Reserve Bank the Reserve Bank charges them interest

second bonds on their houses – thus getting into more debt – and then used this money to also speculate on stock markets.

- This frenzy created a housing bubble pushed up by financial speculation.



Step 4: The bubble bursts. The whole lot comes tumbling down

- With increasing debt in mortgages and credit cards many people in the USA had problems paying the debt they had incurred to speculate on housing or to buy consumer goods.
- People started selling their houses to pay their debts. With many houses coming onto the market, the overall price of property in the USA started declining sharply in 2006.
- People suddenly found that the value of their houses no longer covered the value of their debt.
- Millions of people found that they could no longer pay back their debts because of spiralling interest.
- In 2007, 2 million families in the USA had their houses repossessed.
- But because of globalisation this was no longer a US problem alone – in fact the first banks that found that they were sitting with a huge debt problem were British, French and Icelandic banks.

Debt amongst workers in the USA

- In the USA workers' wages have not risen in real terms since the 1970s.
- Most Americans had to borrow money in order to maintain their lifestyle.
- Many of these working class Americans used the houses that they owned as collateral for loans. Others had to borrow massive amounts of money to even buy a house. Many people also borrowed because the US government set interests rates at low levels to encourage people to buy goods in order to overcome the 2000-02 recession.
- The result was that mortgage lending reached $10 trillion in the USA by 2007.

In December 2008, the US again injected $40 billion into the banking system, while in January Britain injected 11 billion pounds into the money markets.

The sub-prime crisis hits the world

In August 2007, banks across the world actually stopped lending money to one another as they were unsure how much debt each bank held. The US and EU central banks pumped $230 billion into the markets and banks in September 2008.

Due to the losses and the overall growing debt crisis, the American stock market dropped by 15% between July 2007 and February 2008. Over 2007 and 2008 almost $14 trillion was wiped out in stock markets internationally – enough to pay for every food, housing, education and health problem in the world.

The average American has debt that amounts to 140% of their annual income. Thousands of companies still have massive debts.

With the banks not lending to one another, with stock markets down, companies started retrenching workers and cutting back on buying real things like bricks, steel, cars, cement etc – tipping all countries into what economists call a **recession.**

How do governments and the media speak about the crisis?

Newspapers, television and most politicians are using names such as the "recession" or a "financial" meltdown to describe the current economic state of the world. Their understanding of events is that banks are reluctant to lend because they lack confidence in other banks and in corporations. This reluctance to lend has led to a slowdown in **investment and demand**, which has caused countries to slip into recession – defined as two consecutive quarters of contraction.

With this understanding they believe that, in time and with governments' backing, confidence will return and then lending will resume and growth will follow. They do not acknowledge the current crisis was caused by globalisation, nor as a crisis of the system of capitalism itself.

But before digging a bit deeper as to when this crisis started we need to look at why globalisation made this crisis take on a particular form – made it appear as if it is a "financial crisis".

Recession

A recession occurs when a country stops growing and its **Gross Domestic Product** goes down for two terms in a row.

Gross Domestic Product

This is roughly the money value of the wealth created in a country. Economists divide the year into quarters and GDP is measured every quarter. If the GDP is positive then a country is growing, but if it is negative then economists say the country is declining. If a country experiences 2 quarters of GDP decline in a row then they call that a **recession.**

Investment, Demand

Investment is when capitalists buy new factories or mines or shares in other companies for profit. Investment can be fixed – in the case of factories, mines, shops etc – and speculative if it is only to short-term, like buying shares on the stock exchange or gambling on how currencies will perform.

Demand is about whether there is a market for the goods produced – whether ordinary people, capitalists and states are actually buying the goods produced.

The current Wall Street collapse has its roots in the Technology Bubble of the late 1990s, when the price of the stocks of Internet start-ups skyrocketed, then collapsed, resulting in the loss of $7 trillion worth of assets and the recession of 2001-02.

The loose money policies of the Fed [US Federal bank] under Alan Greenspan had encouraged the Technology Bubble, and when the US fell into a recession, Greenspan, to try to counter a long recession, cut the prime rate to a 45-year low of 1.00 per cent in June 2003 and kept it there for over a year. That had the effect of encouraging another bubble: the real estate bubble.

(Robert Brenner, 2009)

Bonds

This is a guaranteed form of borrowing, made in the past by governments. Governments would sell bonds on the stock market and guarantee to anyone buying these bonds that it would pay back the value of the bond with interest at a fixed time. Investors always regarded bonds as a safe bet – because it was guaranteed – but one which did not pay a very high return. The profit earned on bonds depends on interest rates – which is why investors are always so concerned. They are betting on whether the Reserve Bank is going to raise or lower interest rates because this will determine their profits.

Financialisation

This is one of the most important components of the strategy of globalisation. It means that capitalists have sought to redirect profits to themselves through finance markets, through betting on the behaviour of money globally. Financialisation means that all governments, economists and rating agencies focus on the share value of companies as reflected on stock markets rather than the real amount of goods and services produced in countries. This also means that governments make all their policy decisions – from service delivery issues to interest rates – to try and please the finance markets.

Why a "financial crisis"?

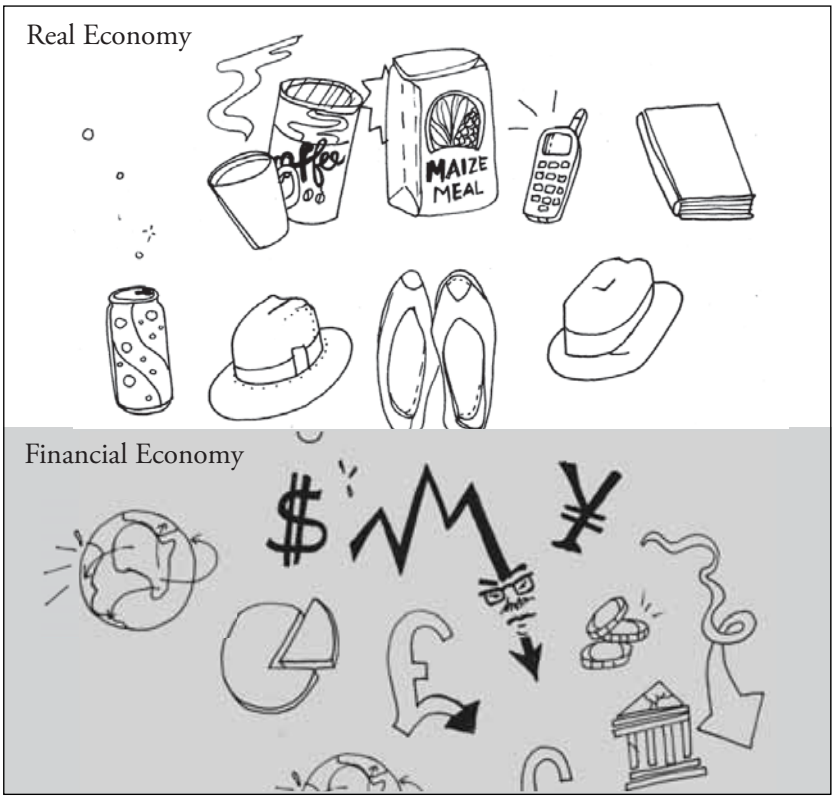
In the late 1970s and 1980s neo-liberal governments across the world passed laws to deregulate banking restrictions and to increase the ways money and debt can be traded. This was done to open up investment opportunities for companies in the financial sector.

From that point on companies could speculate on any stock market anywhere in the world. Banks, pension fund companies and mutual funds used this new space to begin speculating on currencies, bonds and shares. Manufacturing companies also used this space to change the way they operated – many firms entered the financial sector through lending clients money, at high interest rates, to buy the goods they produced (e.g. buying furniture on hire-purchase at Joshua Doore). As a result, the value of a company's shares often became more important than the actual profit prospects of the company.

This phenomenon has become known as **financialisation**.

In fact governments and economists started to say that they had solved capitalism's problems of having booms followed by busts – because they stopped looking at the real production of goods such as cars, shoes, iron and fruit and pointed to how stock markets were regularly hitting record levels throughout the 1980s and 1990s.

As a result of this focus on stock markets and financialisation governments view the current crisis as merely a financial crisis and their responses in dealing with the crisis have been driven by the question: how do we restore confidence in the markets and the financial system?



G20 Leaders meet

Responses to the crisis

All the capitalists of the world – even the most neo-liberal, free marketeers – have called for their governments to use public money to bail out the banks and the speculators. Fearing a run on the banks – where millions of people everywhere demand their money from the banks – capitalist governments have nationalised banks and imposed some restrictions on market speculation. Governments have spent over $14 trillion of public money so far bailing out the banks and investors.

The governments of the USA, Britain and Iceland have nationalised some of the largest mortgage lenders and banks, including Fannie Mae, Freddie Mac and AIG in the USA, and Northern Rock in Britain. Since September 2007, the USA, Britain, Germany and Japan have been pumping hundreds of billions of dollars into stock and money markets to keep private companies afloat

In September and October 2008 alone, the US made $700 billion available to buy bad debts; while the UK made 50 billion pounds available to do the same thing

In South Africa however the government has so far not been as aggressive. Interest rates have been cut but not so much as in the USA and Europe and South Africa continues to have some of the highest interest rates in the world. In 2009 the government announced that R2.4 billion would be made available to bail out companies but focusing on training schemes for laid off workers and sourcing the money from the Sector Education and Training Authorities (SETAs).

So what have they done so far

To date we can group international governments' attempts to save the capitalists in five ways:

- Buying out corporate toxic debt or taking on the responsibility for the debt by partial nationalisation
- Cutting interest rates
- Cutting taxes
- Running up fiscal deficits
- Quantitative easing.

1. Partial nationalisation / Buying out debt

- The US, Japan and EU governments have spent over $14 trillion to buy the failing banks toxic debts, in a bid to restore to restore confidence in the banking system
- The US government nationalised two of the largest mortgage lenders in the world, Fannie Mae and Freddie Mac, along with AIG.
- Britain nationalised the mortgage lender, Northern Rock, and partially nationalised the Royal Bank of Scotland
- In all cases, these were not nationalisations in order to protect the deposits of ordinary people but to have the public take on the responsibility for the debt so that the trade in shares and lending could be revived.

2. Cutting interest rates

- All the major countries in the world have cut interest rates – making it cheaper for the banks to borrow money from the central bank.
- The USA and Britain have led the way cutting the interest they charge banks to almost 0%.
- South Africa has also cut interest rates but not nearly as much other countries.
- These cuts are supposed to make it easier for investors to borrow to revive investment so that the economies can start moving again.

3. Cutting taxes for the rich

All the major countries have cut taxes.

- In South Africa, the ANC government has been cutting income tax every year for the past three years.
- It has also been cutting company tax for many years, so much so that the biggest contribution of tax today comes not from the corporations but from through the public by way of VAT and PAYE (Pay as you earn tax).
- In its 2009 Budget, the government announced that it wasn't going to implement its promised tax on the mining companies.

Fiscal deficits/ budget deficits

If a country budgets to spend more than it will receive this is called a **fiscal deficit.**

4. Running fiscal deficits

- Every country budgets every year planning to spend against the likely income to be received. If a country budgets to spend more than it will receive this is called a **fiscal deficit.**
- For almost 25 years the IMF has been preaching that countries which borrowed money from it shouldn't have large budget deficits. In South Africa, the GEAR policy committed the government to a budget deficit of less than 3%.
- This commitment to almost no budget deficit has meant that states have been forced to cut back spending on education, housing, water and social services.
- However, in all this time the biggest country in the world – the USA – continued to run up high budget deficits and under George Bush this deficit reached record proportions.
- With the current global crisis all governments have bailed out the capitalists and have been happy to run up budget deficits to do so.

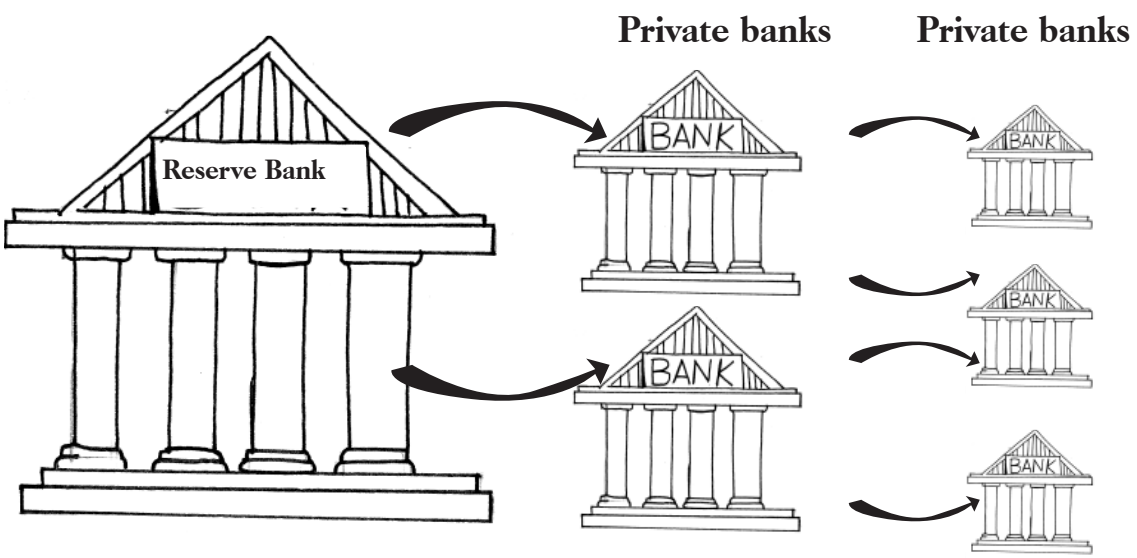
5. Quantitative easing

- Capitalist states often borrow money by selling bonds on the stock markets. Bonds are a commitment by the state to pay out a fixed amount, determined by the interest rate. This means that the higher the price of the bond, the lower their yield. Investors who buy bonds are therefore gambling on future interest rates.
- When interest rates are down to practically zero – as is the case in the USA and Britain – the government can no longer borrow by selling bonds and investors are not interested in betting on something which is pretty-much fixed.
- Quantitative easing is where the central bank steps in by buying back bonds from private investors, hoping that this will release cash from the investors, which (in theory) they can then invest. This is a way of simply printing money – not so far removed from how the Central Bank of Zimbabwe printed money under the Mugabe regime.
- Under this scheme the USA's Federal Reserve Bank has bought $1 trillion dollars of bonds and the Bank of England 75 billion pounds worth, hoping to increase the money supply and stimulate investment.

The current crisis began as a crisis of capitalism, which hit the world in the late 1960s and 1970s. Over the decade of the 1970s, the ruling classes of the world came up with a strategy of globalisation to solve that crisis. The strategy involved governments everywhere opening new spaces for profit making – above all, making possible a deregulated global market for money capital – and crushing working class lifestyles to make this possible. The current capitalist crisis, which they call a "financial crisis", tells us that that strategy has now failed.

In fact underlying the talk of the crisis being only a "financial" problem are figures which tell a story about what economists sometimes speak about as the "real economy".

How the reserve bank puts money in the economy.



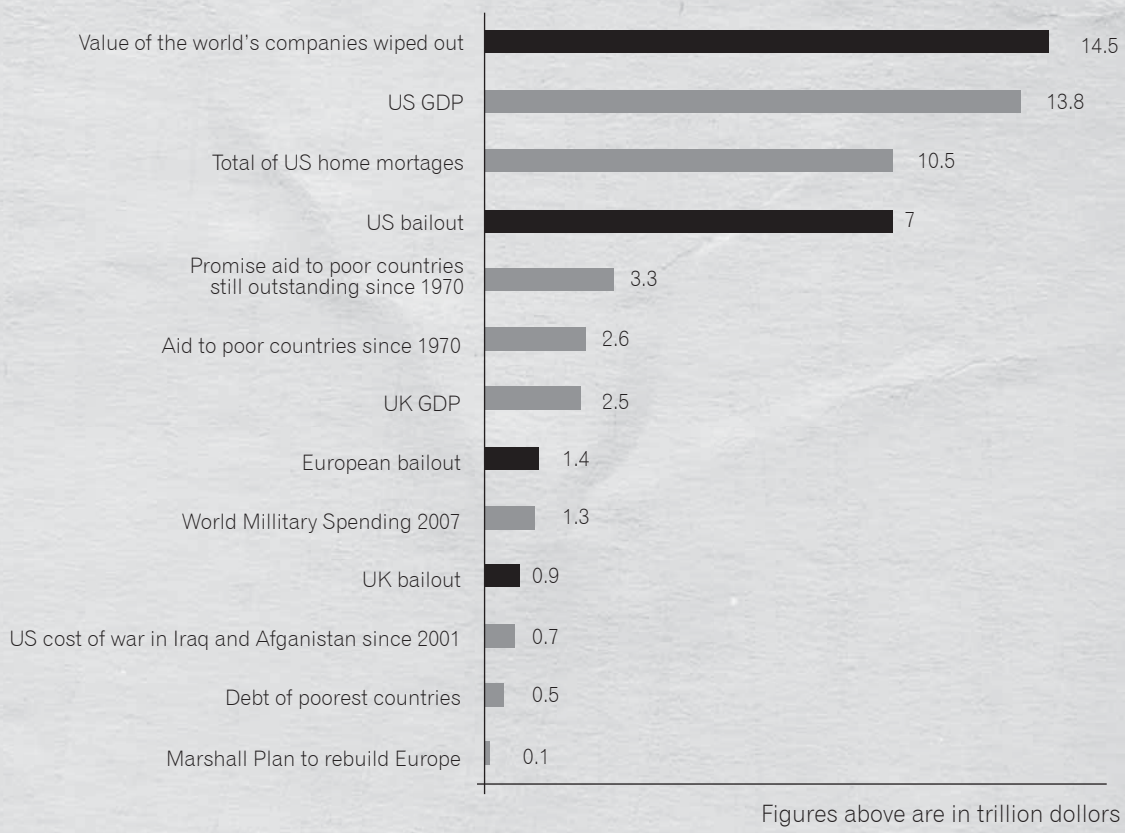
"Between 1929 and 1933, the decline of industrial production in the United States was more than 48%. The decline in the current crisis has been similar, with US industrial production falling by 12.5% over the last 12 months. In Japan, the situation has been more serious with industrial production falling by 37% in 2008 and a projected fall of 25% this year, making the decline over two years more than 60%. In the Euro zone the fall in industrial production over the last year was in the order of 20%. In Eastern Europe and the Baltic States the situation is extremely grave, with Hungary chalking up a fall of 29% in industrial production over the last year."

(Rob Sewell, 2009)

As such, we are being dragged back to the unresolved problems of capitalism of the 1970s, only it is now more than 30 years later and the unresolved crisis of capitalism then is now combined with our awareness of the coming disaster of global warming and an energy crisis.

The table below shows how much money the governments of the USA and Europe have spent so far bailing out banks and other corporations and compares this money with other initiatives in the past:

Lets Compare the bailouts



Chapter 2: What did they say about globalisation?

We first began to hear about the word "globalisation" in the newspapers and on the TV and from politicians and bosses in the early 1990s. This was just before 1994 – the time when South Africa was going to become a democracy. The mass struggles against apartheid had forced the apartheid regime into negotiations with the liberation movement. During those negotiations academics, journalists and our bosses told us that we had to change our demands and be more realistic because of "globalisation". So when we demanded housing for all, free education and health and decent work, we were told that South Africa was re-joining the world and the world had changed to a system called globalisation.

In other countries, particularly in the rich countries such as the USA, Britain and the EU, the use of this word "globalisation" started much earlier, in the 1980s. In this same period, people throughout the rest of Africa heard the **IMF** and the **World Bank** tell them that the only way to make progress was to become internationally competitive, and this was a result of globalisation.

But what is globalisation? On reviewing that period we found that there was not one view but that different people came up with their own definitions – which always suited their particular agenda. We can group the views on this thing called "globalisation" into four arguments:

View 1: Let's take the term at face value

This view accepted the promise of the word itself – that globalisation meant that everyone in the world was getting closer together and more integrated across international borders; that we are increasingly living in a world in which people travel more, listen to the same music, dress the same and are breaking down the barriers of nationality and culture.

People here would often point to so many young South Africans spending a gap year in London, how the English Premier league and other big European football competitions have players from all over the world. Their view would be confirmed by the way we all buy things from all over the world and that from TV and through movies we know stories and dramas about the lives of people on the "Bold and the Beautiful", and the British Royal family.

Generally this view was given great prominence in movies and adverts, which celebrated globalisation as a good thing.

But also academics and university professors, working within this view, analysed what they called "globalisation" and argued that this new borderless world was a result of changes in technology – that the introduction of the computer and the Internet had made this borderless world of globalisation possible and that we were now living in what they called the "information age".

Of course not everyone was happy with the way the world had changed under globalisation, but View 1 would call such unhappy people "backward", saying that they would have to "catch up" with the rest of the world. This view tended to lump all people who are critical of, or anti, globalisation together and see them all as anti-foreigner, or as trying to stop world trade.

View 2: Globalisation was the crowning glory of capitalism and human development

The people in this group used all the impressions from View 1 but argued that globalisation was about taking the state as a factor out of the economic and social life of people everywhere. The state would stop being a regulator or watch-dog over international trade and investment, and the state would stop getting involved in public services, welfare or regulate working and environmental conditions.

This idea that the state must largely keep out of the economic and social life of people was the philosophy of **liberalism** – which was dominant in countries such as Britain in the 19th century. Then it was called liberalism – but today it is called **"neo-liberalism"** (meaning late-liberalism or the kind of liberalism today). A key difference is that neo-liberalism is all about the state actively intervening in economic and social life to make it possible for the "market" to flourish.

Neo-liberals argue that all countries must open their borders to free trade and investment; that transnational corporations (TNCs) must be able to move their investments and profits anywhere in the world; that labour laws and trade unions distort the market by keeping wages too high and often drive companies out of business. They further argue that for the state to provide housing, health or education only means that business is muscled out of areas where they could make profits, and that, at any rate, private businesses are more efficient at providing anything. They believe in privatisation and the commercialisation of social services.

Now, whereas neo-liberals often justify their policies by arguing the classic liberal view that the state must not be involved, this does not mean that the actual practices of their governments, such as in the USA, Britain or Japan, have been to keep the state out of the economy, or world trade and investment or public services. Nor does it mean that these governments actually practise "free trade". In fact, their practices have been very different to what they say. But at least in their teachings and public views and propaganda this is what the champions of globalisation have to say.

Neo-liberalism has become the official teaching of economists at schools and universities and is practised by most governments in the world today. Whenever the TV or newspapers interview or quote an economist or expert it is someone who believes in this view of the world. Other names for this view include "The Washington Consensus", "the Chicago School", "getting the fundamentals right" and so on.

The people who hold this view often claim that there has been a massive increase in world growth and trade since globalisation and that countries which are the most dedicated to free trade are the ones which are most advanced. They use the USA as the example of the great success story. They point to the collapse of the Soviet Union and the Eastern bloc countries in 1990 as proof that too much state involvement leads to tyranny and ruin. In Africa, neo-liberals use the fact that Robert Mugabe sometimes called himself a socialist in the 1980s to argue that Zimbabwe today, with its huge inflation, is the result of too little freedom for markets.

Globalisation in this view is not only a good thing, but it is also the end-point of human development – Margaret Thatcher, the neo-liberal prime minister of Britain in the 1980s, famously said of globalisation, TINA (There is no alternative).

I would define globalization as the freedom for my group of companies to invest where it wants when it wants, to produce what it wants, to buy and sell where it wants, and support the fewest restrictions possible coming from labour laws and social conventions

Percy Barnevik,President, ABB Industrial Group

The term 'globalzation' has come into common usage since the 1980's, reflecting technological advances that have made it easier and quicker to complete international transactions – both trade and financial flows. It refers to an extension beyond national borders of the same market forces that have operated for centuries at all levels of human economic activity – village markets, urban industries, or financial centres.

International Monetary Fund Staff, 2000

Views 1 and 2 are those held by institutions such as the **IMF** and the **World Bank**, by international jet-setters and by many conservative and liberal academics and politicians. But there are other views which are critical of these claims.

IMF and the World Bank

These are both banks in which member states are shareholders. The richest states, such as the USA, are the biggest shareholders so they can dictate the policies practised by these banks. The International Monetary Fund (IMF) is the bank that is supposed to lend money to countries who are buying more goods than they are exporting and the run out of reserves. The World Bank (WB) is supposed to lend money to countries for big projects. In the 1980s the USA used the IMF and the WB to force all countries to adopt neo-liberal policies.

View 3: Globalisation is good but the neo-liberal form is bad

These people accept that globalisation – at face value – is a word that speaks about a borderless world, about greater integration of people, about the worth of the new technologies and the free flow of information etc. They agree that all these things together would be a good thing. But they say that this is not what is happening today. Instead they say that TNCs are controlling our world and that neo-liberal governments are speaking on behalf of these TNCs. The TNCs are promoting free trade because they benefit from destroying local industries and the privatisation and commercialisation of public services.

As such, they prefer to speak about being against neo-liberal globalisation or "corporate-driven globalisation", to distinguish between globalisation (which is a good thing for them) and neo-liberalism (which is only one form of globalisation, they say).

We also hear these people speak about "globalising human rights" or that we should be struggling for "globalisation from below".

"There is no doubt globalisation has brought many benefits, exotic holidays, solidarity and information sharing to name a few. However, it is important to remember there are negative aspects too, for example indigenous customs and languages are disappearing and small local businesses and farms are being swallowed up by large multinationals. Globalisation also has environmental implications such as increased air travel or tourist pressures on remote and delicate ecosystems. Handled properly and in a sustainable manner, Friends of the Earth considers globalisation a positive thing."

(Friends of the Earth)

Globalization is an objective reality we face and it is here to stay, an industrialization process that cannot be altered. The challenge is not to push our heads into the sand like an ostrich or wish it away. The greatest challenge to humankind... is to make globalization relevant to the ordinary people of the world.

National union leader in developing country. 1999

View 4: Capitalism has always been global so there is nothing really new about globalisation

Then there is a group of people who also are very critical of the claims that globalisation is the final crowning glory. They say that globalisation is just another word used to describe capitalism and that capitalism has been an international system of accumulation exploiting the working class all over the world, at least since the late 19th century, if not earlier. They criticise the hype around globalisation and its claims that it has lead to any kind upliftment of the vast majority of the people in the world or such a leap in growth of international trade. For most of the 20th century, before globalisation, they say we already bought clothes and cars from all over the world and by way of contrast, world economic growth has actually been very low over this last 30 years.

They can even point to the role of technologies such as electricity, the canning of food and the development of the steam ship – which all happened towards the end of the 19th century – which played a greater role in bringing the world together than did the use of computers and the Internet today. If anything, capitalism has gone through a number of waves of globalisation throughout its history and the events of the last 30 years are therefore not so different.

In general these critics of globalisation emphasise the **continuity** of capitalism over the last 150 years and are wary that activists today who are fighting globalisation are struggling against an appearance and not the "real" problem – which, they say, is capitalism.

"What most people mean by 'globalisation' is increasing flows of trade and investment between parts of the world and between countries. If you scratch a politician, a journalist, a business leader, that's what they mean.

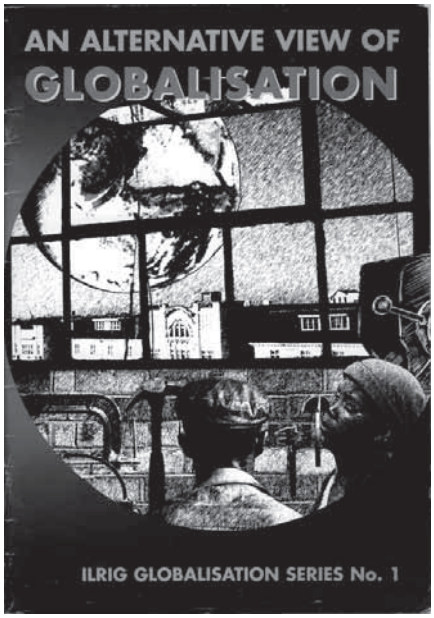
The history of this globalisation can be summarised as follows. In the 1920s, people tried to restart the pre-1914 liberal world economy. And they failed. In the 1930s it imploded. Britain and Germany both lost about forty per cent of their foreign trade. The world economy really did shrink, and peoples competed for what was left by building autarchic trading blocs.

After the 1939-1945 war there was the creation, outside the Communist bloc, of a managed multilateral order. People were so anxious to get back to the liberal world economy they didn't need a new term for it. Global talk started after the '73 and '79 oil-price hikes and recessions, to register that global interconnectedness was growing quite rapidly.

More important, the word 'globalisation' took over from monetarism. It stands for 'There is no alternative to this', or, 'Don't imagine you can follow distinctive national policies, labour standards or welfare rights, because there are chaps in Jakarta who would have your job.' It is shorthand for getting people to accept their lot fatalistically. There is a history to the term, and hopefully we're at the end of the history which wanted the term."

(Paul Hirst)

The ILRIG view



When ILRIG first wrote on globalisation in the early 1990s it associated itself with the criticisms made by Views 3 and 4. It agreed with View 3's criticisms of neo-liberalism and View 4's view that capitalism has had a 150-year history of international accumulation and exploitation.

But it argued that something fundamental **did change** in the world over the last 25 years. This change represents a major, and far-reaching, restructuring of the relations between the capitalists and the majority of the people of the world – the working class and the poor. ILRIG defined globalisation as a strategy on the part of capitalism to restructure the world so as to revive profitability for the capitalist class

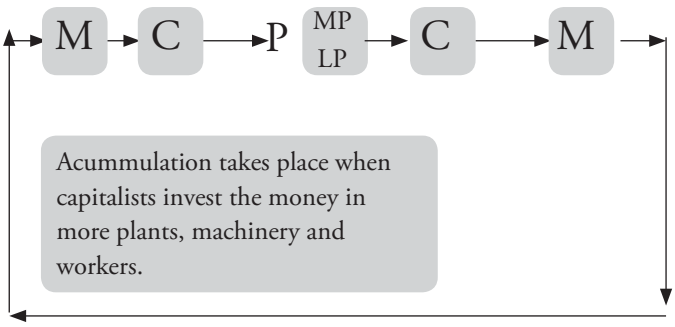
From the 1960s and early 1970s, the capitalist world started experiencing declining profits. Germany and Japan, having recovered after WW2, were now producing the same goods in competition with the USA in world markets. At the same time world markets were no longer expanding – much of the world was outside world trade (China and the Eastern bloc), Africa and Asia and much of Latin America were too poor, and even in the industrialised countries of Europe the large welfare states had become to encroach on capitalist markets.

Examples of overproducing

The world car industry has been over-producing since the 1970s. In 2001 the International Metalworkers Federation estimated that the industry was over-producing by nearly 30%. In the US and Canada alone the annual capacity of the industry is 17 million cars, yet sales in 2008 dropped to an annual rate of only 10 million vehicles. The cause of the over-production is the fact that the majority of the people simply cannot afford to buy cars. Even in the large markets – such as the USA – the market has stagnated for years. Japanese car makers mostly make cars for export to the US, adding to the problem, while more recently China and India have joined the rush to produce cars, increasing the over-production. Millions of new cars stand idle at airports as car companies are forced to rent space to store these cars

Circuit of Capital

Financialisation is when they invest in money markets



With such saturated markets the world found that it was actually over-producing and the capital generated no longer gave sufficient returns on investment to justify spending on new factories, mines and other sites for investment.

The capitalists had to find a solution to their problems of lower profit rates that they began to experience since the late 1960s. In the late 1960s and early 1970s, the capitalists in the world began to feel a crisis notable for two features:

- Declining / stagnating markets for their goods – we call this **overproduction**
- Lower rates of profit – we call **over-accumulation,** because profit levels did not make it viable for capitalists to invest in new factories, shops, farms and mines. So they sat on money that couldn't find suitable outlets for investment.

Within the elites of countries like the USA and Britain, capitalists and a school of economists linked to the ideas of Frederich Hayek and Milton Freidman – called **monetarism** at the time – started pointing the finger of blame for the high inflation at the welfare state and the economic policies of Keynes. They used as a counter-argument the case of Chile, where after a military coup had overthrown the elected **President Salvador D'Allende in 1972**, monetarist economists from the Chicago Business School were given free rein to implement policies like privatisation and cutting state expenditure.

Capitalism sought a way out of this impasse and attempted to restructure social relations internationally in order to return to sustained profitability. This restructuring of the world has come to be called globalisation and its ideology, the economic theory of the monetarists, neo-liberalism.

Neo-liberalism became the dominant economic policy in the world when Margaret Thatcher became prime minister of Britain in 1979 and Ronald Reagan the president of the USA in 1980. There governments were both committed to the neo-liberal ideas of fighting inflation by dismantling the welfare state, cutting expenditure on social services and privatising state property.

Chapter 3: Globalisation,What did the strategy entail?

Since the 1929 Wall Street crash in the USA, governments had made laws which prevented banks from speculation and which forced banks to keep a large amount of money in reserve. Many central banks were made accountable to parliaments; commercial banks couldn't be both retail banks and investment banks; mortgage and insurance companies couldn't be banks as well etc.

From the 1930s until the period of globalisation in the 1980s, the banks were highly regulated by states and the international system of trade and investment was regulated through an agreement in 1944 reached by the rich countries of the world - called the Bretton Woods Agreement.

Since 1944, currencies also operated on the basis of fixed **exchange rates** and all countries' governments placed restrictions on how much money anyone could take out of the country (called **exchange controls**).

Exchange rates

Every country has its currency – for instance, South Africa's currency is the rand. To make international trade possible people have to exchange one currency for another. In the early 20th century most countries did this by comparing their currency with gold. This was called **fixed** exchange rates because the value of currencies remained more or less constant.

One of the things that made globalisation possible was when governments allowed currencies to fluctuate on a daily basis in comparison with one another. This is called **floating** exchange rates.

The Bretton Woods Agreement

Before WWII was over in 1945, the finance ministers of the main capitalist countries met in a small village in the USA, Bretton Woods, in 1944 and formulated a new economic architecture for the world in anticipation of an Allied victory. At Bretton Woods, with the influential participation of Keynes, they agreed on three important things which were to shape the world for the next 30 years:

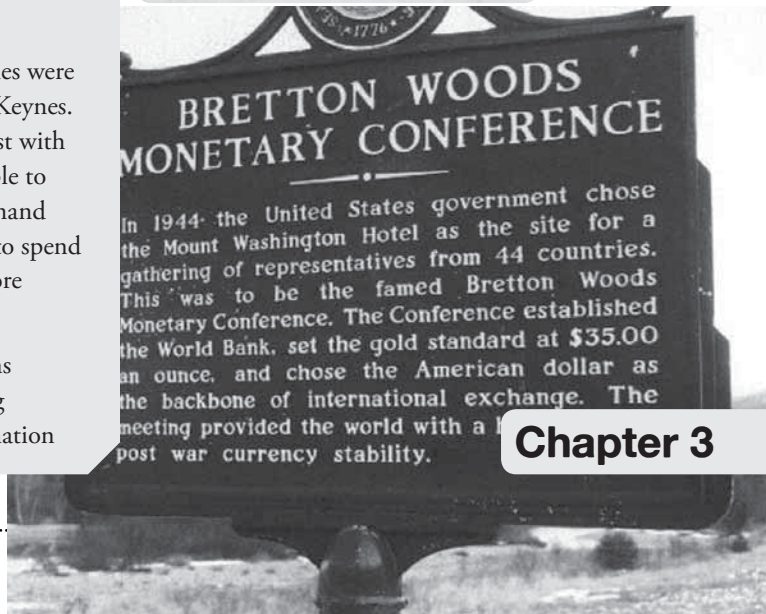
- To make the US dollar the international reserve currency and currency of international trade, in the way that gold used to be, by setting the price of gold at $35 an ounce. The dollar then became "as good as gold";
- To set up the International Bank for Reconstruction and Development (afterwards known as the World Bank) to lend money to countries to do reconstruction;
- To set up a bank called the International Monetary Fund (IMF) to lend to countries who are having balance of payments problems i.e. countries who are importing more than they are exporting and do not have the money to cover for this deficit.

For the next 30 years the economic policies of all capitalist countries were based on the Bretton Woods agreement and economic policies of Keynes. Keynes's macro-economic policies taught that capitalism works best with full employment and enough demand to make it possible for people to consume the goods and services produced by the capitalists. If demand drops, then governments should stimulate demand by borrowing to spend more on infrastructure and lower interest rates to make money more available for investment.

In Western Europe these policies coincided with the long traditions of strong trade unions and Social Democratic Parties, and even big Communist Parties in countries like Italy and France. The combination

Exchange controls

For much of the 20th century governments had laws stopping people from taking money out of the country or from keeping foreign currency in local banks. This was done in the period of fixed exchange rates. In the 1980s most countries did away, or were forced to do away, with exchange controls so that capitalists could speculate on money everywhere in the world and bank profits wherever they wanted. A way we can see the emergence of globalisation in South Africa is when the government relaxed exchange controls in the 1990s.



of this strong working class tradition and the policies of Keynes meant that Western European countries developed very strong welfare states with public services like free healthcare, education, public transport and high public sector employment. In the USA, although there was much less of a tradition of working class struggles and therefore its equivalent of the welfare state never included free public health or public transport. Nevertheless, Keynesian policies of deficit spending and stimulating demand were par for the course for both Republicans and Democrats. Banks and international capital flows were highly regulated in terms of what they could do and exchange rates were more or less fixed.

Keynes, Keynesian, Keynesianism
These names refer to the British economist, John Maynard Keynes. Keynes suggested that capitalism could grow best if there were ways of stimulating demand – getting people and businesses having the money to buy goods and services. He argued that governments should play this role. Keynes invented the approach, which, today we call, "macro-economics".

The USA killed off the Bretton Woods Agreement in 1972 when its then president, Richard Nixon, devalued the dollar.

The strategy of globalisation changed the world from the early 1980s and involved the following elements:

1. Financialisation
2. Opening new spaces for investment
3. The increased exploitation of the working class through greater labour intensity and flexibility
4. Changing the role of the state.

1. Financialisation

This is the shift amongst capitalists – away from investing in factories, mines, plant, machinery and recruiting workers to work there – towards investing in finance markets, on money and currencies, on hundreds of different ways that speculating on money can be packaged and repackaged.

In order for this to be possible capitalist governments had to pass laws to make such profit-making through betting on money possible and to enable the free movement of money capital across borders.

One of these techniques was called the securitisation of debt. Prior to this only states could sell debt in the form of what are called **government bonds (GILTS) or treasury bonds**. But by making debt secure any financial institution could package debt and sell it on. This meant that money owed by you to a bank could be sold on by the bank to another bank. And financiers could package the debt in any numbers of ways and then sell this on stock markets.

Financialisation also changed the ways that stock markets behaved. Previously, **stock markets** would allow capitalists to take savings and redirect them towards new investment in factories and mines etc. The performance of companies on stock markets would roughly follow the performance of the operating profit of companies. So if, say Anglo American Corporation (AAC), declared that it had made a large operational profit then more investors would buy shares in AAC and then its share price would go up, and vice versa. But under financialisation investors bet on the future behaviour of AAC and could buy shares and drive up its share price even if its operating profits are down.

For instance in the 1990s Ford set up its own lending bank and found that it made more money out of lending you the money to buy a car than it did selling you the car.

Throughout the 1970s, however, after the collapse of the Bretton Woods agreement, the US state had begun deregulating the banks and providing legislation that made it possible for investors to trade in debt. Margaret Thatcher's government in Britain even did away with exchange controls in 1980.

Financialisation and the banks

Banks are institutions which take people's savings and then use these to make profits. They work on the simple principle that while many people may deposit money into a bank, they will not withdraw their money at the same time. The bank can therefore use the money deposited to make more money.

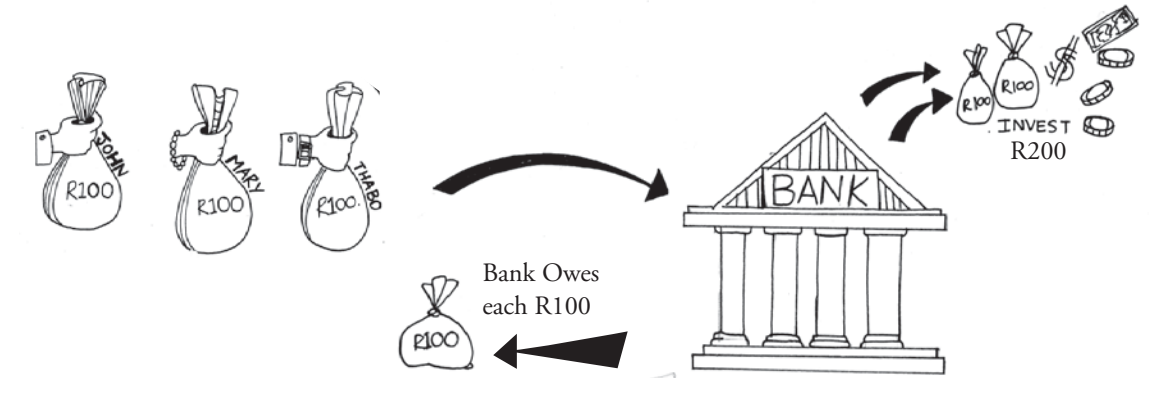
This is how it works:

Supposing three people – John, Mary and Thabo – each deposit R100 into a bank:

The bank now has R300. Because the bank owes each person R100, the bank can actually use R200 in different ways and only keep R100 in reserve in case John, Mary or Thabo comes to ask for their money back. The bank can even offer the three people extra money – called interest – to leave their money in the bank (even though the money is not actually kept there).

How the bank uses this money has changed over the years – from simply lending it to other individuals who needed a loan, which is how banks started off, to the systems of speculative investments today.

Underlying all the various forms of banks however is the ongoing nightmare scenario – because the banks actually don't have the depositors' money, they cannot withstand what is called a "run on the banks", where people in their thousands simply go to the banks to withdraw their money only to find that their money isn't there.



Bank lending and usury

In this original phase of banking, banks used to take the depositors money, pay them interest, say 1% to leave their money there, and the lend the money – at, say 10% – to borrowers, thus making a profit.

So in the example above the bank would reflect that John, Thabo and Mary each has R101 in their account after interest, but the bank will earn 10% of R200 = R20. Thus even if the bank pays out R101 X 3 = R303 to the three depositors, it is still making a profit of R17 for itself. (It paid an extra R1 X 3 = out but made a gain of R20).

Some of this activity of lending still takes place today – in the case of retail banks which lend to individuals or households to investment banks which lend to other businesses.

Banks and investment: The rise of finance capital

From the beginning of the 20th century, many banks began to use the money they generated not so much in lending but in buying shares in companies, in investing. In this way a bank would become a shareholder/co-owner of a car company or a construction company.

This integration between bank capital and industrial capitalists was a feature of capitalist development in countries Germany and France since the late 19th century, and Japan, after WW2. Economists coined the term finance capital to describe this integration between banks and industrialists.

As a consequence of the 1929 Wall Street crash, however, governments became concerned that banks were over-reaching themselves and buying shares or lending in ways which threatened the stability of the banking system and so the capitalist system itself. So they made laws to stop the banks doing whatever they wanted.

Banking and globalisation

From the 1970s – starting with the US government – and accelerating after 1980, all governments started relaxing the regulations in respect of banks that had been in place since the 1930s.

Retail banks were allowed to merge with investment banks; banks were allowed to merge with insurance companies; and banks were allowed lower **reserve requirements**. The central banks – called the Reserve Bank in South Africa and the Federal Bank in the USA – were made independent from parliaments.

Exchange rates became floating and governments allowed citizens to take money out of the country and to make investments anywhere in the world. Governments passed laws that made it possible to trade in debt, and globalisation became the name of the game.

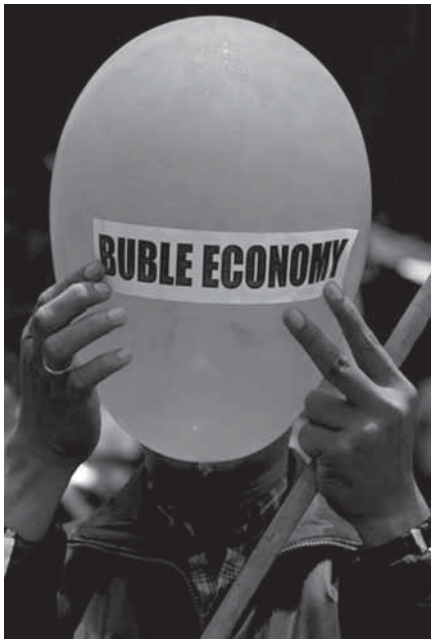
In this phase banks went further than just buying shares in other companies – they began to speculate on global stock markets, in money markets and in so many ways in which debt can be packaged and traded. And they could trade these packages globally drawing other banks into trading that no-one could actually track.

In the 1990s this trade by banks in so many financial vehicles earned enormous profits for the banks' shareholders. But somewhere along the line there were real people who deposited money or who incurred the original debt in the form of a housing loan or a credit card. What would happen if these people suddenly found that they cannot pay their debt?

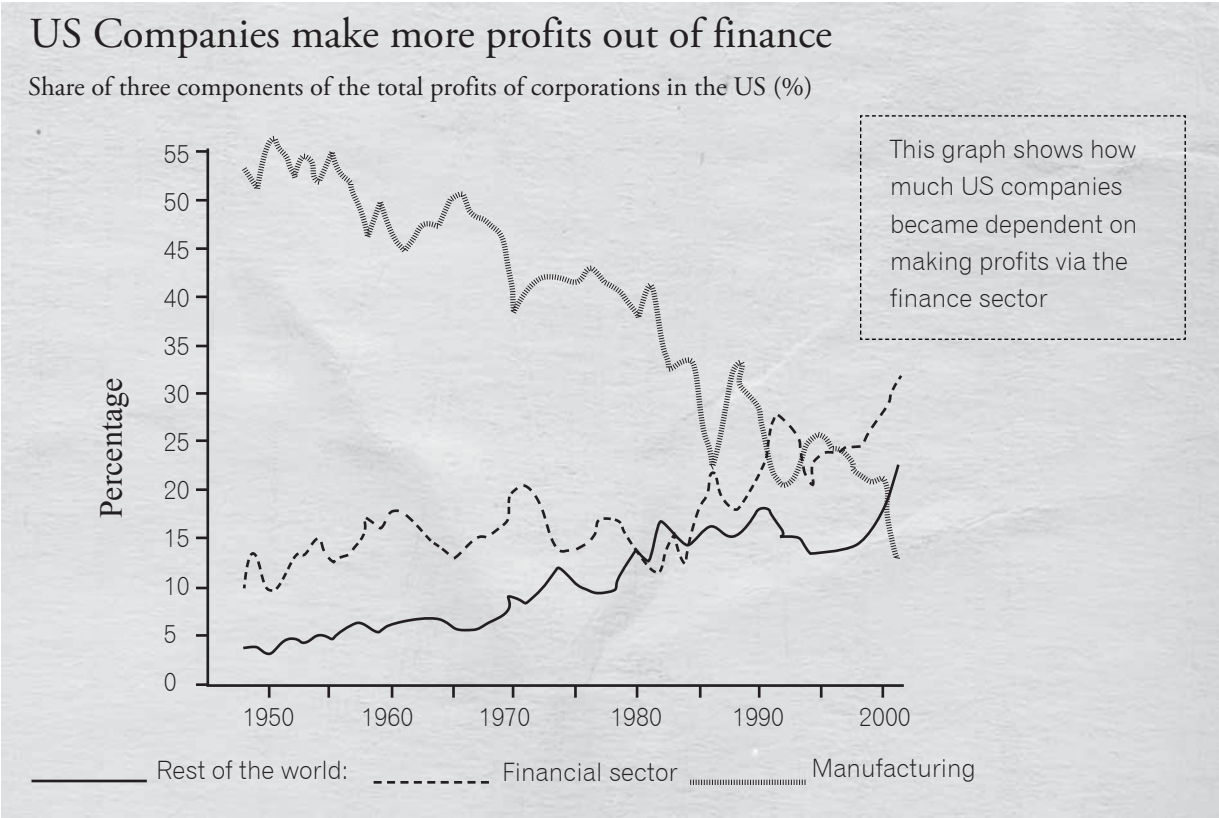
It meant that some banks ended up with debt on their books and these banks would not have been the banks who had originally lent the money – they many not even be in the same country!

Reserve requirements

Because banks actually don't keep people's money but use the money to make profits there is always a danger that people may ask for their money and it won't be there. So governments have laws saying that banks should keep some money in reserve. Critics of the Reserve Bank's strategy of putting up interest rates to stop people borrowing often ask why the Reserve bank doesn't restrict the bankers instead by forcing them to keep a larger stock of money in reserve, instead of punishing ordinary people.



However, financialisation is not only a strategy for profiteering. It has also meant a change in the composition of the ruling classes internationally. Today the capitalists who have the ear of governments, who are able to have most influence over all countries' economic policies, are those who are closest to the financial power blocs – the investment banks, the financiers, the hedge funds, the international rating agencies. Even major TNCs that are in the business of manufacturing and mining structure their firms so that they are responsive to the markets – which is why they appoint CEOs who do not even come from their sector at all or have no experience of the operating side of the business, but who please the markets.



2. New spaces for capitalist investment

The strategy of globalisation also involved opening new areas for investment, which had formerly been closed to capital – the public sector of the old welfare and **Keynesian** states and new geographical areas that had long been part of the bloc of **Stalinist** states –Russia and its satellites and China.

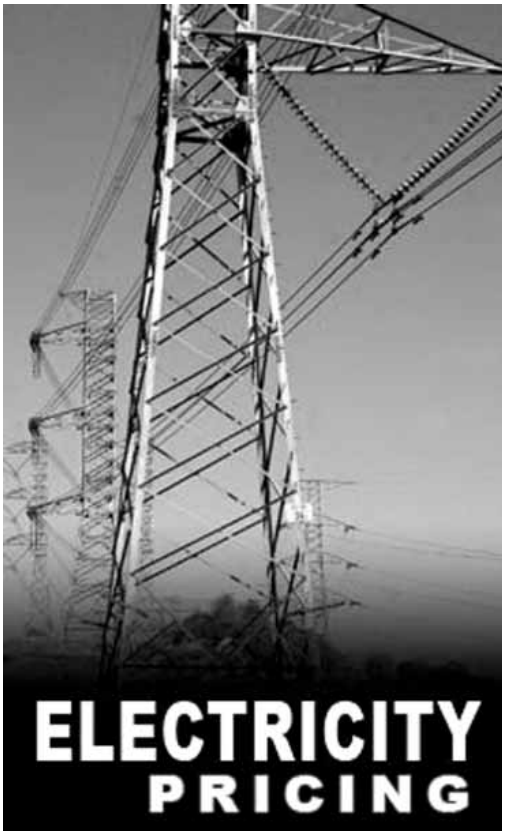
In the case of the public sector, globalisation involved the privatisation of public enterprises and the **commercialisation** of public services. Starting with Britain under Thatcher and spreading all over the world, governments have lined up to privatise airlines, telecommunications and energy parastatals. And when privatisation didn't prove viable the states would look to a whole range of measures – from outsourcing to private companies, to public-private partnerships, to even retaining state ownership but making the enterprise behave completely like a private business. Alongside these has gone the pressure to make almost every public service – from education to water – open for international investment using institutions like the WTO.

In the case of new geographical areas the collapse of the Berlin Wall made the whole of Eastern Europe open for business and all the neo-liberal economists of the world, together with the IMF and the World Bank lined up to advise Russia, Hungary, etc on how to privatise and how to attract investment.

Within China, sections of the old ruling bureaucracy have used their hold over state power to make China a model of neo-liberal capitalism without

Stalinist
This refers to the leader of the Soviet Union from 1924 who implemented policies of forced collectivisation and forced industrialisation under the ideology of 'socialism in one country'. At the same time Stalinism promoted the idea that many countries were not ready for socialism and should first promote capitalism. Countries like Russia, China, Hungary, North Korea etc all adopted these ideas and imposed them violently.

Commercialisation
This is a broad term referring to the policy of neo-liberal governments of making public services behave like private businesses. The term spans privatisation – where state property is sold off – to cases where the state outsources functions to private businesses, to cases, like Eskom, where it starts behaving like a private business.



the bother of pretending to be democratic. China has become the third biggest site for foreign investment for US and European capitalists over the period of globalisation.

3. Increased exploitation of the working class

Capitalism continues to rely on the wealth produced by the working class – in the form of real goods and services. The financialisation associated with globalisation has meant that the financiers – who do not themselves get involved in the production of wealth, in the production of goods and services – take a disproportionate amount of the total wealth produced. This means two things:

- The capitalists involved with production constantly seek ways to shift investment to money markets.
- There is a massive pressure on production to be more efficient, to produce more with less.

Both of these involve pressures on the working class and have led to forms of labour processes which involve using fewer workers, using workers more flexibly, using forms of self-policing of workers and increasing the use of children, migrant workers and women.

The last case is called the feminisation of labour and involves both using women workers as cheaper and more flexible labour, as well as taking modes of work associated with women's work – homework, multi-tasking etc – and making these the mode of work for all workers.

> *"If I found a job being done efficiently, I'd say try doing it with half the number of men, and after a time, when they had done that, I'd say OK, half the number again."*
>
> (Taiichi Ohno, the Japanese designer of Toyota's notorious lean production)

This last set of changes – to the world of work – has happened over the last 20 years, and for many workers who have entered work in more recent times, it is the only form of work organisation they know.

The net result of the changes to the workplace and the quest on the part of globalisation to seek to revive profitability through the greater exploitation of the working has been a reshaping of the working class internationally. We can discern the following:

- The size of the working class internationally is **increasing,** mainly driven by the breakdown of family life, the feminisation of work and the forced industrialisation incurring in India, China and parts of Latin America.
- On the other hand, the greater exploitation of workers and the various forms of informalisation have led to the working class being more **divided** and atomised and having less control over their own bodies and labour time.

Attacks on women

This restructuring of the world would not have been possible without the historical defeat of all popular and working-class movements, including the women's movement. All hard-earned gains by social movements over 100 years, including the feminist movement, came under attack in the 1980s. Globalisation targeted the hard-earned gains made by women everywhere and unleashed an onslaught against any radical mobilisation, depoliticising popular struggles and promoting a backlash in the media towards feminism.

Some of the specific ways in which globalisation attacked women were:

- Privatising and commercialising public services
- Changing the workplace (including feminising labour, casualisation and outsourcing)
- Attacking women's collective struggles ideologically.

These had to involve direct political attacks on the working class and the shielding of financiers and their operations from any kind of popular power, and the strategy directly involved not only reconfiguring the working class but reversing any gains that the women's movement had made over the last 100 years.

4. Changing roles of the state

Despite what neo-liberal economists have to say about their project – that it involves taking the state out of the economy – the strategy of globalisation has been driven by states, by governments who have embraced neo-liberalism. But in so doing states have acted differently compared to previous periods of capital accumulation – particularly the Keynesian period after WW2.

The role of the state has changed in two important ways:

- The changing responsibility it plays in regard to the role of reproducing the working class; and
- The restructuring of its the relations to citizens.

In the first case, the state – given its commitment to opening the spaces for private business – no longer acts as a provider of services, but as a **regulator** or facilitator, of services provided by capitalists.

In the latter case, the state replaces a relationship of citizens with a relationship of clients buying services. So it is only the clients who can afford services who can receive them.

Moreover key functions of the state have increasingly become shielded from any public accountability – like the central bank or the treasury or international trade agreements which become binding on parliaments.

These changes have been of the order of reducing the democratic spaces for people to hold governments accountable.

In addition, globalisation called for changing the relationship between the national state and local government. Local authorities play an important function in helping neo-liberal states achieve their objectives.

Shifting budget items around
This is a strategy of neo-liberal governments – first done by Bill Clinton in the USA – where national state accountants write expenditure and debt under local governments who are given more responsibilities. The national state then looks like it has balanced the books very well while provinces and municipalities sit with huge debt. This technique has been used for many years in South Africa.

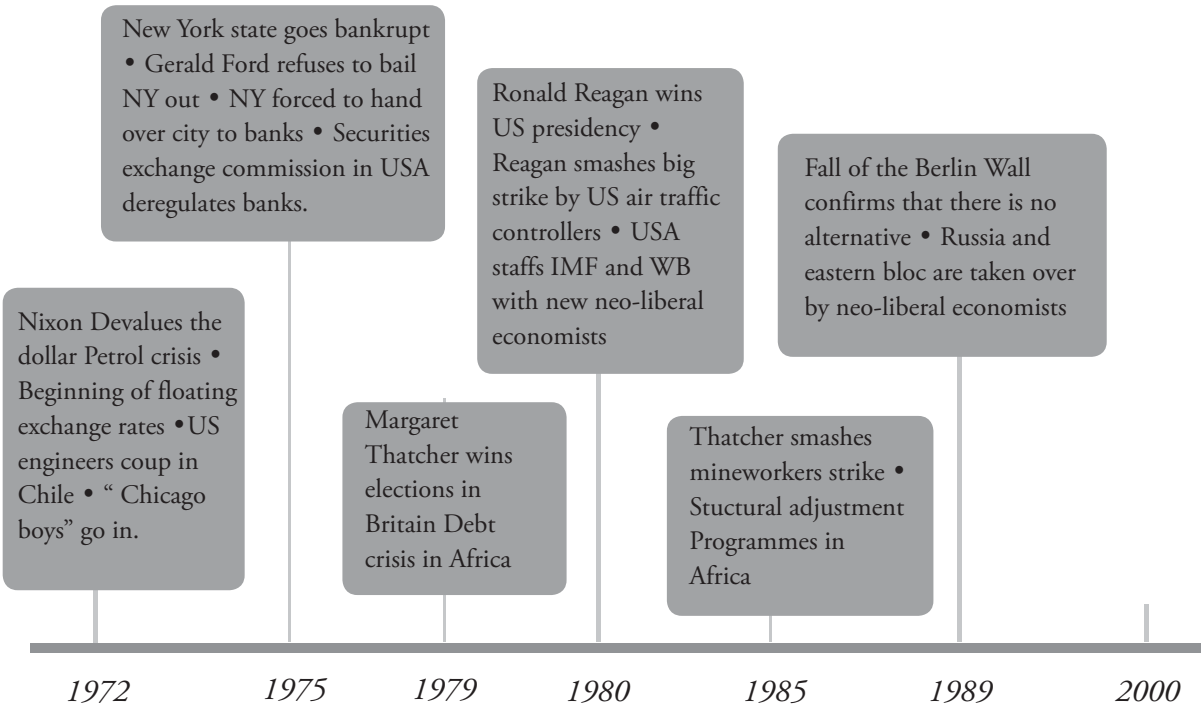
Local states have been restructured by their national governments to put into effect the following prescriptions:

- The local state government should function as independently of national government as possible.
- Local governments should compete with one another to make their areas attractive for capitalist investment.
- The local state should facilitate service delivery by capitalist firms and regulate services rather than deliver services directly.

An important reason for the requirement that the local state should be more independent relates to the national budgets of countries. Under globalisation all countries are judged by potential speculators on the basis of how much money they can make by buying shares in a country's stock market. Two important sources of profit for these money-makers to invest in are government bonds and currencies. Governments which have big budget deficits are regarded as risky for getting safe returns on bonds or currencies. So all states under globalisation try and ensure that they have very low budget deficits. South Africa, for instance, is very proud that its budget deficit is under 3%.

How do many capitalist states achieve such low national budget deficits? By shifting the **responsibility for many** payments **to local governments.** These accounts therefore do not appear on the books of the national state and so the budget deficit is low. By shifting the financial burden for delivery to local governments, national governments' budgets are kept in order, thus satisfying the finance markets which look for small budget deficits at the national level.

How did globalisation win out



How did globalisation "win out"? the story of globalisation and neo-liberalism

Some people have claimed that globalisation won out because it was the outcome of the spread of new technologies – like the internet and other forms of information technology. These people often refer to our lives today as the "information age".

Yet other views argue that the real spread of globalisation came about in ways that had very little to do with technology.

From the 1960s and early 1970s the USA, in particular, suffered in the following ways

- The USA started becoming, for the first time, a net importer of commodities.
- The USA's currency – the dollar – had become the reserve currency of all other countries and there were actually more dollars in circulation and in other countries' central banks than there were in the USA.

These problems only worsened as a result of the USA being drawn into a hugely expensive war in Vietnam for much of the 1960s, which it could not win.

In response to these problems US president, Richard Nixon, devalued the dollar in 1972. This effectively killed off the Bretton Woods agreement – based on a fixed value of the dollar in terms of gold. In the same year the Organisation of Petroleum Export Countries (OPEC) cut the amount of oil they would produce – putting up the price of oil almost overnight by nearly 400%.

Throughout the 1970s these events plunged the capitalist world into crisis. But the high oil price and the uncertain exchange rates caused a spike in inflation in all the industrialised countries.

In the meantime the governments of the Third World countries of Latin America, Asia and Africa found themselves in a double bind: the recession of the 1970s meant that there was less demand for their export goods, such as copper from Zambia, coffee from Ghana etc, whilst at the same time high inflation in the industrialised countries meant that their import costs were more. They started borrowing to cover this deficit and private European banks awash with what was then called petro-dollars were only happy to oblige. Thus began what eventually became the Third World debt crisis.

Within the elites of countries like the USA and Britain, capitalists and a school of economists linked to the ideas of **Frederich Hayek** and **Milton Freidman** started pointing the finger of blame for the high inflation at the welfare state and the economic policies of Keynes. They used as a counter-argument the case of Chile – where after a military coup had overthrown the elected President Salvador D'Allende in 1972, monetarist economists from the Chicago Business School were given free rein to implement policies like privatisation and cutting state expenditure.

Chile in 1972

The people of Chile had elected a socialist, Salvadore D'Allende. His reforms were opposed by the elite and the army in Chile and in 1972 the army, under General Pinochet, staged a coup encouraged by the USA. The army bombed the capital, rounded up thousands of activists and tortured them and unleashed a dictatorship.

The USA offered a group of economists to Pinochet to design the economic programme of the dictatorship and they were the first to implement programmes of privatisation.

Chile Coup 1973

In the countries where democracy existed for years, globalisation attacked democracy in many ways.

New Zealand was the first capitalist democracy to globalise, and the USA and Britain the most important. And the USA, with Britain's support, spread globalisation throughout the world.

The people in these democracies, in fact, tried to stop globalisation.

In the USA and Britain the governments of Reagan and Thatcher had to defeat major struggles of the working class before they could globalise these countries. They used a combination of co-option and repression to neutralise the trade unions, political parties and other organisations of the working masses. In Britain, the most notorious example was the defeat by Thatcher of the mineworkers' strike of 1983-84.

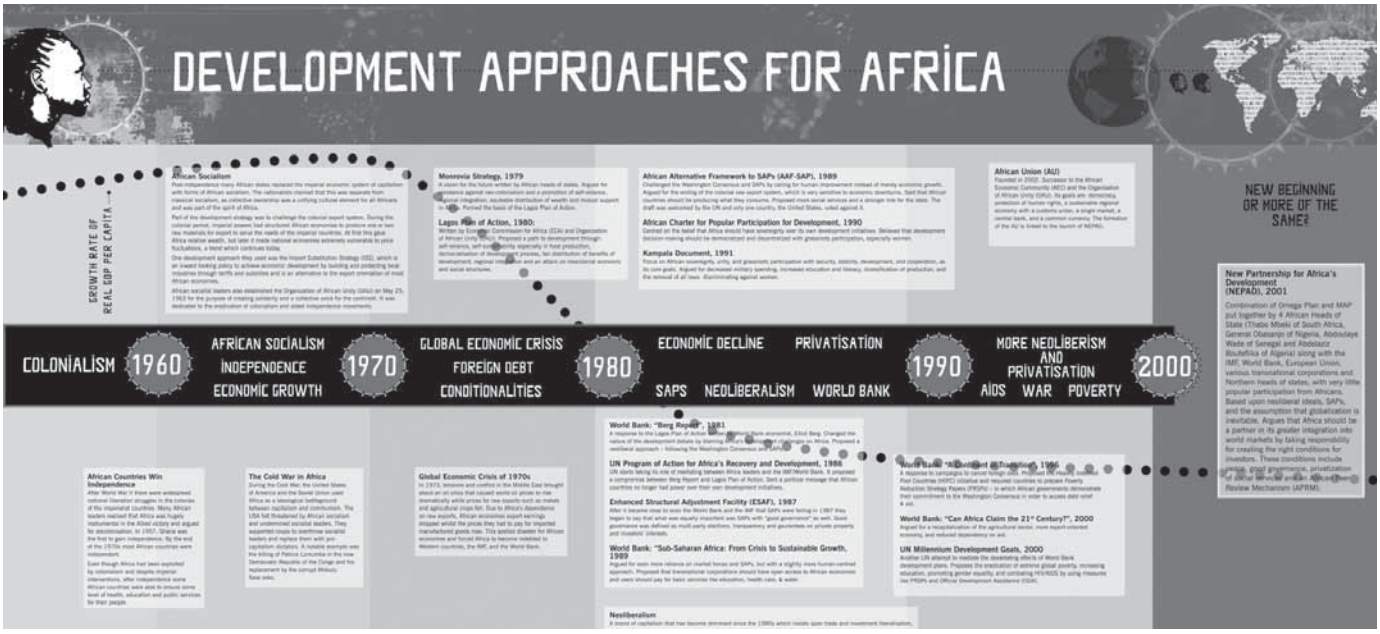
For co-option, the globalisers depended on the support of a layer of bureaucrats in positions of power inside social democratic parties and some of the trade unions – those whose interests committed them to a functioning capitalist society. For repression they depended on their control of the armed forces of the capitalist state.

They intensified the manipulative power of money in elections. Undemocratic global institutions such as the IMF and World Bank took control of more and more aspects of societies. Increasingly state power became centralised in the offices of presidents and prime ministers. Media freedom and diversity was restricted as large media TNCs bought out radio, television and newspaper networks and established media monopolies.

The structures of political parties changed to give more power to leaders and less to ordinary members. Special legislation and entire departments of states were set up to circumvent laws protecting the civil liberties of people. Legislated rights to protest and organisations formed to use such rights came, under severe attack. State departments dedicated to social welfare increasingly lost power and resources. State departments dedicated to making war and profits increasingly gained power and resources.

And as neo-liberal prescriptions took hold political parties started converging – lining up to sing the same songs from the same economic hymn sheet. The need to compete for global investors imposed the same policies on different parties, leaving electorates with no real choice.

Outside the rich countries the attacks on democracy were much more violent. The first two countries to have their economies globalised were Chile and Indonesia. In both cases this globalisation was preceded by US -initiated military coups that overthrew elected governments and instituted vicious dictatorships. These dictators – in Chile, Pinochet, and in Indonesia, Sudharto – are today remembered with horror and loathing as embodiments of anti-democratic violence.



On the other hand, in Africa in the 1990s the relationship between globalisation and democracy, on the surface, looked quite different. After independence in the 1950s and 1960s most African countries suffered Cold War interference and experienced many coups or imposed dictators depending upon what suited US imperial interests at the time. Where countries had some level of stability after successful national liberation struggles they attempted to forge paths of national development using Keynesian policies of import substitution together with social welfare programmes. Under pressure from the debt crisis of the 1980s, however, most African countries had become so destabilised that they were governed by authoritarian one-party rulers, but often with extended programmes of social welfare and continued attempts at domestic production.

In the 1990s, globalisation – in the form of new structural adjustment programmes – called for neo-liberal programmes of cutting social welfare but under the guise of democracy. Neo-liberalism found local allies who took advantage of the mood for democracy amongst the people by conflating freedom with the free market. In counties like Zambia a **Movement for Multi-Party Democracy (MMD),** for instance, was swept to power on a neo-liberal globalisation programme. Similar changes occurred throughout Africa in the 1990s as regimes came into power against one-party states and championing a combination of political "freedom" with freedom of the market.

However, these instances do not contradict our experience of the tension between globalisation and democracy because all of them were cases where African people ended up swapping one form of dictatorship – a military or one-party one with a welfarist state – for another – an IMF-dictated elected government with no social services at all.

The triumph of globalisation in Eastern Europe also involved this apparent merging of democracy with the free market. Because most of Eastern

Zambia and the MMD

For many years from, independence Zambia was governed by the UNIP of prime minister, Kenneth Kaunda. Kaunda implemented Keynesian policies and a welfare state and even nationalised the copper mines. However in the 1970s Zambia experienced a debt crisis and Kaunda became more authoritarian making Zambia a 1-party state. The MMD said it was a movement for democracy but informed by neo-liberal ideas of privatisation and carrying out the policies of the IMF.

GEAR
The growth employment and redistribuion strategy was adopted by the ANC government in 1996. The strategy stated that South Africas growth would have to be led by the private sector, with government keeping low budget deficits

Europe was under Stalinist dictatorships whose official line was that they were opposed to capitalism, the collapse of these regimes in the 1990s seemed to confirm that only capitalism could promote democracy. After the initial euphoria of obtaining Western-style freedoms the people of these countries have rapidly found that globalisation has led to a brand of violent, authoritarian, corrupt capitalism.

How did globalisation come to South Africa?

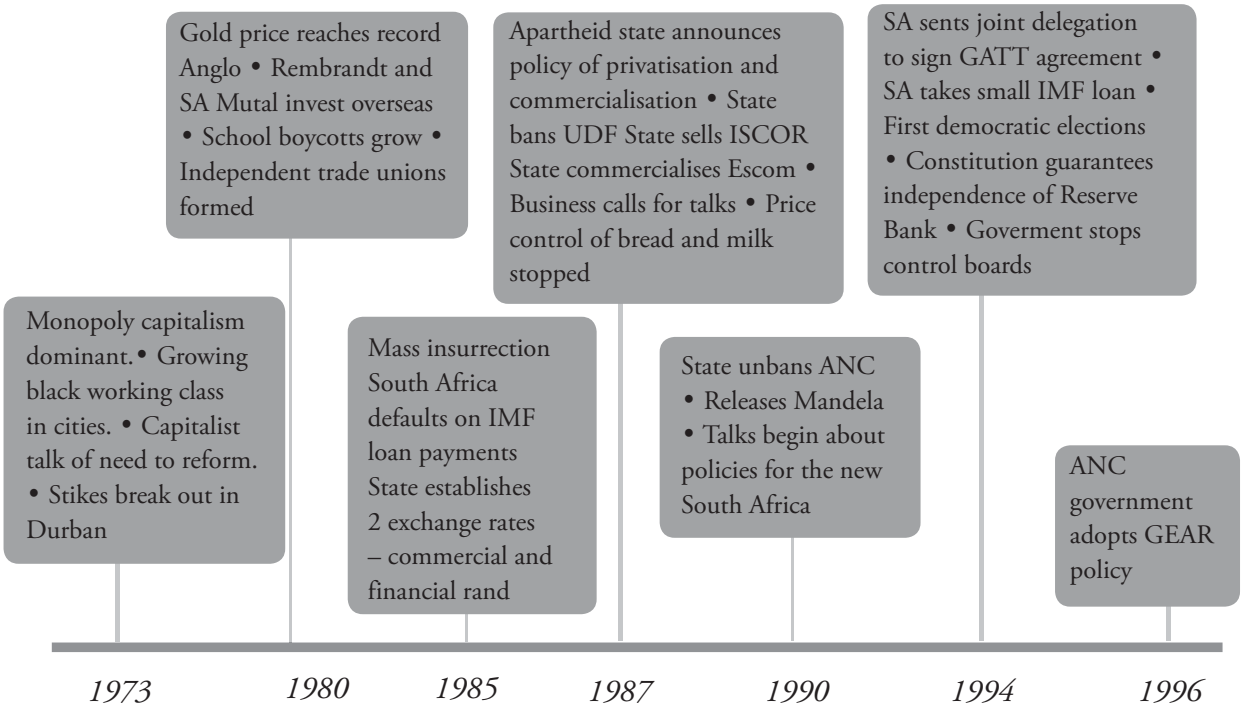
The seeds of neo-liberalism in South Africa were sown prior to the ANC's **GEAR** policy – round about 1987, in fact by the apartheid regime of Botha and De Klerk. These seeds were planted by:

- The privatisation of ISCOR and commercialisation of SA Railways and ESCOM in 1987;
- The stopping of new public houses for black people in 1982 and the subsequent sale of township houses;
- The independence of the Reserve Bank;
- First moves to make it possible for big SA businesses to start setting up offshore investments, which allowed Anglo American to set up Minorco to house overseas assets, followed by Rembrandt setting up Richemont.

But the process in SA was hampered by mass struggles in the country and the lack of political legitimacy of apartheid. Secret talks were held between apartheid intelligence personnel and liberation movement leaders since the mid-1980s. After 1987, the state attacked the mass movement with states of emergency, banned the UDF, banned and restricted COSATU, whilst beginning the process of conducting secret talks with the ANC.

And then in 1990 the state unbanned the ANC and other liberation movements and began negotiations at Kempton Park.

How did globalisation win out in South Africa?



In the run-in to the first democratic lections in 1994, SA's **key monopolies** went the financialisation route themselves. They began to:

- Focus on "core business" to release "shareholder value. e.g. Anglo unbundled (got rid of JCI and SAB and focused on mining); Sanlam unbundled to Gencor (which later merged with BHP to create BHP Billiton);
- Seek moves to London (FTSE) to open road to financialisation (share-trading and speculation)
- Open spaces in unbundled companies for BEE deals (Sanlam started in 1993 with Metropolitan and NAIL);

These measures were not a break-up of the monopolies by the state or competition authorities or the levering open of spaces for black capital by the state but were the result of SA capital going the route of financialisation.

SA's key monopolies requested offshore listing and this was agreed by Trevor Manuel and the Reserve bank. As a result Anglo, De Beers, SA Mutual, Didata, Gencor / Billiton all went offshore to London. Key ANC figures (Cyril Ramaphosa, Saki Macozuma, Tokyo Sexwale etc) became capitalists themselves in BEE deals with big capital.

Over 1994 and 1995 mass struggles decline, strikes went down and COSATU, SANCO and SACP played the role of loyal opposition. After Mbeki announces privatisation of SAA and part-privatisation of Telkom, COSATU agreed to the National Framework Agreement (NFA) and privatisation on a "case-by-case" basis.

In 1996, the government made its neo-liberal policy clear and explicit after a massive decline in the Rand and calls from business for the government to nail its colours to the mast for investors.

This policy was called the Growth, Employment and Redistribution policy (GEAR) which was imposed in June 1996 and was declared "non-negotiable" by Mandela. GEAR clearly spells out that the ANC is committed to the private sector, that the state should keep the budget deficit small and that jobs and services would depend on the ability of the capitalists to first "grow the economy".

In 1994, where did your beer come from?

Who owns South Africa?

In 1994 85% of all shares on the Johannesburg Stock Exchange were owned by the following South African companies

- Anglo American
- SA Mutual
- Rembrandt Group
- Liberty
- Sanlam
- AngloVaal

Today they have officially dropped to 25% because they unbundled and their owners now invest through investment companies and private equity funds (where the public are not allowed to know who the shareholders are). The two biggest private equity funds on the JSE today are:

- Allan Gray
- Public Investment Corporation (the state pension fund has been outsourced to this company)

Chapter 4: Globalisation and economic growth, international trade and investment

We shall use three sets of criteria for assessing whether globalisation was successful for those who imposed this strategy on the world:

- What happened to the claims made about free trade?
- What happened to economic growth?
- Did globalisation restore profitability for the capitalists?

The globalisers said this was about free trade.

1.1 What happened to "free trade"?

> *"Globalisation describes the ongoing global trend toward the freer flow of trade and investment across borders and the resulting integration of the international economy. Because it expands economic freedom and spurs competition, globalisation raises the productivity and living standards of people in countries that open themselves to the global marketplace."*
>
> CATO Institute, Centre for Trade Policy Studies in the USA

> *"There is not one grain of anything in the world that is sold in the free market. Not one. The only place you see a free market is in the speeches of politicians."*
>
> Wayne Andreas, CEO of agribusiness giant Archer Daniels Midland

The above two views – from a rightwing policy institute and from the boss of a corporation – cannot both be true. Yet the way many people continue to talk about globalisation it's as if they are talking about something called **"free trade".**

The apologists for globalisation argue that globalisation is free trade and that globalisation has seen a massive growth of countries – with those who have been most "freed up" at the top of the table. They go further to say that the countries who have been unsuccessful have been those who have not fully integrated their economies into free trade.

So it has been a mantra uttered by economists and politicians all over the world for the past 30 years as if it were true. Of course this was not only by way of trying to convince us of the alleged truth of these claims through

Free trade
This is an ideology promoted by the TNCs, IMF etc in which they claim that states should keep out of trade – making trade "free". The idea is that if trade is free people get better prices and countries will compete in ways that everyone benefits.

persuasion – in the main institutions like the IMF and the World bank and, now the **WTO**, they would say these things and then use force to make countries liberalise – but also through the force of debt foreclosure and investment strikes.

Institutions linked to the globalisers – the **OECD**, the IMF and so on – have for some years now trotted out graphs which show an expansion of world trade under globalisation. Those who wish to argue with these figures then point to the myths of international trade to say that the figures are exaggerated.

Some analysts point to the fact that the rise of China and India distorts the picture because China and India have become major cross-over points for world trade.

WTO
The World Trade Organisation (WTO), formed in 1995, to police free trade in the world. The WTO has been stuck now for many years, since 2006, trying to get what is called the Doha Round finished largely because the USA and the EU want everyone else to do away with taxes and subsidies on goods and they don't want to do likewise.

OECD countries
The Organisation of Economic Cooperation and Development. The member countries are the richest counties in the world. The OECD also has research institutes, convenes conferences and releases statistics – all designed to promote the interest of its members.

But is international trade really "free"?

Some myths about international trade

- Much international trade today is not "free" but is "managed trade" – through bilateral agreements, most favoured nation status, anti-dumping laws, patents, quotas and international cartels. Examples are trade in pharmaceuticals, sugar, petroleum, diamonds, air travel).
- Many areas of trade, particularly agriculture, are underwritten and subsidised by national states – the USA and the EU, the very instigators of "free trade", being the worst examples.
- There hasn't really been an escalation in international trade under globalisation. Some studies suggest that if we take the ratio of exports and imports to GDP of the OECD countries then this ratio has not significantly exceeded that of the period before WW1.
- Almost one-third of what is called international trade is the movement of parts and components across international borders within the same Transnational Company (TNCs). Changes within the world of work under globalisation have accelerated this process as companies relocate parts of the production process to lower-waged countries and then "import" these parts.
- An example of this is the case of Mexico, where US companies have set up parts manufacturers in the northern province of Chihuahua and then import these. The area in Chihuahua along the border with the USA is known as the Maquiladora and this example of international trade has apparently made Mexico one of the biggest "exporters" in the world.

It is the repetition of these myths over and over again – as if they were true, that moved one analyst to say:

> "Let's be absolutely clear. There never has been free trade. 'Free trade' regimes have always been asymmetrical. After it abolished the Corn Laws, Britain was the freest trader, and it put up with other countries having protectionist regimes for two reasons. It was a massive capital exporter, investing in the foreign industries that were being protected. And in many cases it had huge competitive advantage over the countries that were trying to protect themselves. So it didn't care.
>
> In the 1950s, the United States practised a similar asymmetry. It let Japan and Korea have pretty free access to the American markets, and allowed them to run protectionist systems. Today, the problem is that the advanced countries do care. They don't practice asymmetry. None of the advanced countries will let even the poorest get away with it ….
>
> But at the same time, no major country industrialised under the present open trading system. Germany didn't. The US didn't. Japan didn't. Korea didn't. China isn't going to, and nor will India. China may or may not industrialise, but it certainly won't industrialise by throwing open its borders. Whether or not it will be successful, it is going to be allowed to get away with an awful lot under the WTO rules, because it's such a big country."
>
> (Paul Hirst)

But globalisation was supposed to solve the problem of over-production by expanding markets through finding new markets – new ways that capitalists could make profits. If the strategy had worked we should see a real increase in world trade over the last 25 to 30 years. But with all the debates and the myths about what constitutes world trade it is difficult to get a real measure of global trade.

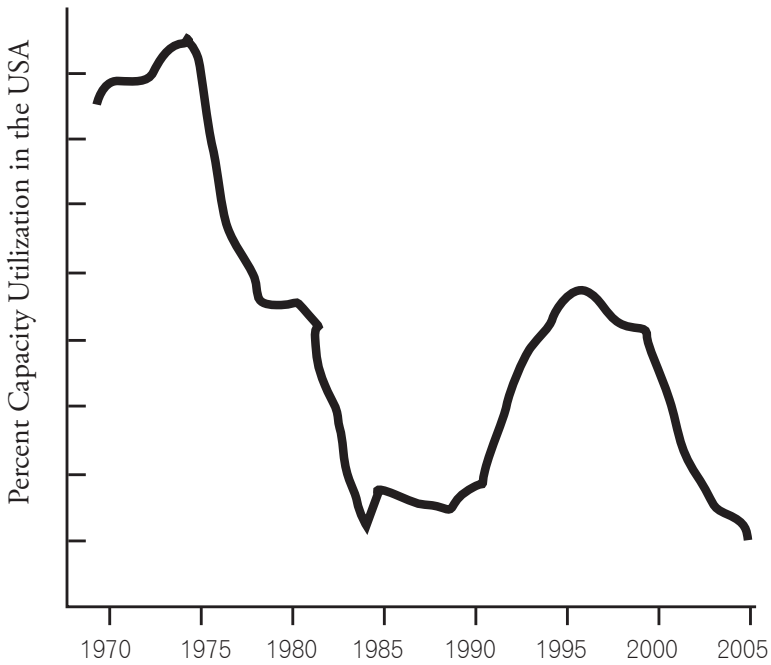
However, what we can measure is what economists call capacity utilisation – to what extent can the capitalists get their companies to work at full capacity. Under a period of over-production, or falling markets, they will cut back on production and use less capacity. So measuring to what extent they are working at full capacity gives us some sense of whether globalisation has been able to expand or find new markets. If they have we should see them using more capacity, if they can't then they will use less capacity, and so on.

So what happened from the 1980s onwards under globalisation?

The story is that the problem of over-production has not been solved !

From the graph we can see that despite a little increased capacity utilisation in the mid-1990s, the overall capacity utilisation was actually less in 2005 than it was in 1970!

And in 2009, with all the qualifications one needs to make about what can actually be called international trade, the decline in the volume of world trade was of the order of 10% – far worse than the case was in the first year of the Great Depression



1.2 Free trade was supposed to lead to growth. What happened to growth?

The simplest way we can measure the creation of wealth over a period of time is to look at **gross domestic product (GDP)**. This is a measure of the money value of the total goods and services produced in a country in, say a year. If the amount increases that means that more wealth is being produced. GDP is a very rough measure because it tells us nothing about the kind of wealth being produced – the work done by women in homes is for instance excluded – and it tells us nothing about how wealth is distributed between the rich and the majority.

But we should expect that with all the new technologies – the fact that workers are being forced to work harder, the fact that there is more trade etc – that GDP should grow over a long period of time.

Because of some of the above weaknesses in what GDP doesn't tell us, economists have at least tried to make the picture a little more meaningful by asking: what is the size of the population when looking at GDP. So that we can least see whether the amount of wealth is spread over a larger or smaller population. If we divide GDP by the size of the population then we get the term GDP per capita, which is a slightly better way of checking a country's performance.

So what happened to GDP per capita over much of the period of globalisation, from 1980 to 2000?

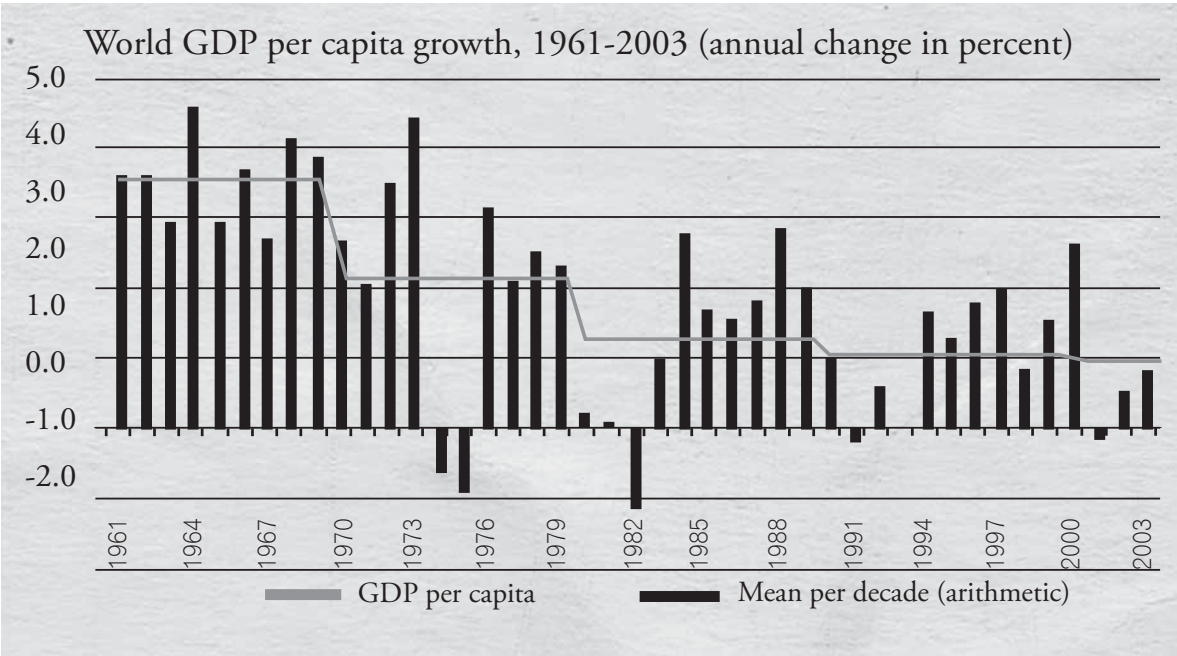
World GDP per head:

"Calculated in constant 1995 dollars at current market exchange, remained static between 1980 and 2002 and declined absolutely between 1988 and 2002".

(Alan Freeman, using data published by the IMF's World Economic Outlook team)

This means that over the period of "free trade" of globalisation the total wealth produced in the world did not increase and actually decreased over the last few years.

Table: World GDP per capita in constant 1995 dollars



Secondly, the world is diverging.

	World GDP	World GDP per capita
1970 – 1980	5.51 %	3.76 %
1980 – 1990	2.27 %	0.69 %
1990 – 2000	1.09 %	- 0.19%

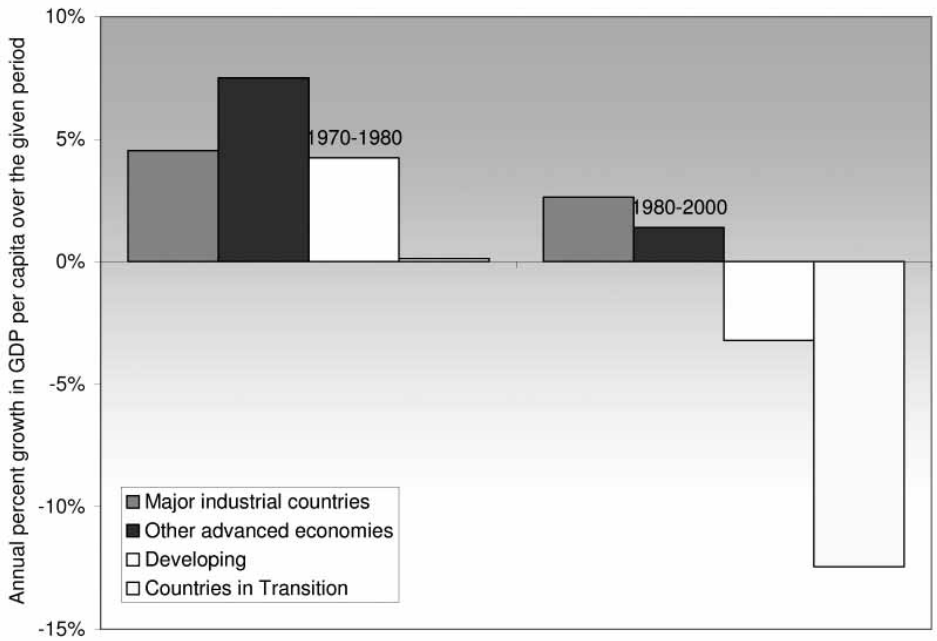
In 1991, the GDP of the world in dollars was $4,997. In 2000, it was $4,909.

In 1980, 118 million people lived in nine countries where GDP per head was declining. In 1998, there were 60 such countries and 1.3 billion such people.

From 1984, the major capitalist powers and "other advanced" countries – comprising both newly-industrialising countries like South Korea and Taiwan and minor European countries like Norway and Spain – pulled away from the rest of the world, comprising 5 billion people.

In the 1990s, per capita GDP in the ex-Soviet bloc countries fell by between 50% and 75% catapulting them into the ranks of the developing countries. And in a further development, during the 1990s the major industrial countries (the G7) pulled away from the other advanced economies.

Chart 3: stagnation plus divergence



In a nutshell, the rich countries no longer grow from the lion's share of the wealth they allowed the world to create; they grow from the vulture's share of the wealth they take from it. These underlying economic trends are unsustainable. The rate of growth of the world economy is steadily decreasing, and the wealth it produces is ever more unequally distributed. The rich countries – notably but not exclusively the USA – have ceased to serve as a motor of world growth. To the extent that they still grow, they do so at the expense of the rest of the world, and in competition with each other. The disputes between the rich countries are therefore, no longer disputes over how the world is run, but over who runs it.

"This is an altogether new social and political development. It reverses a 25-year post-war trend in which, though the relative gap between the world's rich and poor grew as it has more or less since the industrial revolution, nevertheless nearly everyone was in some sense becoming better off. The material well-being of the whole of humanity was advancing – unequally, not as well as could have been done by other means, assisted by the moderating impact of countries outside the world market, and under circumstances which minimised the latter's extent and influence. Nevertheless, a case could be made that, in some general sense nearly everyone was drawing some benefit from the world market, such as it was in those days.

This fact of the past world is unquestioningly accepted; it underpins the most basic intellectual heritage of the epoch. The Western enlightenment ideal of progress itself supposes that underneath spiritual or moral development there lies at least some substratum, however deeply buried, of rising material welfare. The very idea of 'development' presupposes that there is something to develop into.

This has now stopped. Measured in the world market's currency, the wealth-producing capacity of the world is no longer keeping up with its population growth, and the wealth-producing capacity of nearly a quarter of its people is literally marching backwards."

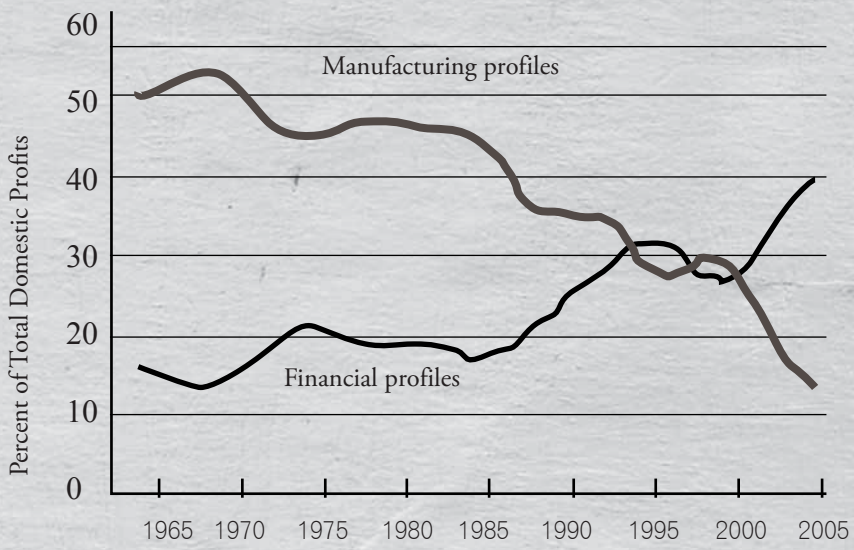
(Alan Freeman, 2002)

2. Globalisation was supposed to solve the problems of accumulation. Did it?

If we look beyond the claims made by the globalisers – claims which today look to be false – we can go back to the original problem that globalisation was meant to solve: the problem of profits. Globalisation attempted to solve this problem by making it possible for those capitalists to make profits by redirecting investment from production to speculation.

We have seen this so clearly in the earlier chapters of this book. The graph below again illustrates this:

2.1 But did the profits go up?



Notice how the graph shows us that financial profits increased while profits made from the production of real things – for instance, manufacturing – were going down. More importantly, notice however that profit levels were generally down in comparison with the 1960s.

Profit is the most important motive – the only motive – for a capitalist. If there is not profit, then there is no reason to be a capitalist. Globalisation was meant to solve a problem of declining profit rates. Capitalists were finding, from the late 1960s, that every time they re-invested the profits they made went down.

So did globalisation solve this problem?

For periods it did. From the 1990s, with the USA cutting interests rates so low and with the orgy of speculation of that decade, profit rates went up – mostly from the finance sector as we can see in the graph above.

But these profits were being made from a smaller quantity of total wealth produced in the world, so today the contradiction between higher profits for some – a smaller group within the capitalist class – and the smaller total amount of wealth being produced is once again beginning to bring the average profit rates down.

The graph below shows how profit rates did go up for US corporations from the low point of the late 1970s but that this increase in profit rates still do not come close to the rates that existed at the beginning of the crisis of capitalism in the 1970s.

Why then did the ruling classes embark on this strategy and why do they continue to carry it out – despite acknowledging the depths of a crisis today?

The answer is that within the ruling class a very, very small section grew fabulously rich, on a scale never seen before, but at the expense of everyone else!

The institutions of globalisation are in trouble

We have seen how the strategy of globalisation was imposed by neo-liberal governments since the 1980s.But often they have used certain global institutions to carry out the strategy internationally. These institutions have been the IMF, the World Bank and, more recently, the World Trade Organization (WTO).

One of the main institutions set up under globalisation was the WTO. Its job was to police trade and investment liberalisation in the world. But since 1999 the WTO has had to meet in protected enclaves blanketed by the police and the military, and the WTO has begun to run into difficulties with fulfilling its formal mandate of forging multilateral agreements. A series of attempts to finalise the Doha Round has collapsed because the USA and the EU are both refusing to lower subsidies.

Who really benefited from globalisation?

Globalisation saw a massive transfer of wealth to a very small capitalist class, in three senses:

- In all countries a transfer from the poor to the rich
- Between countries – a transfer from poor countries to the rich capitalist countries
- The USA sucked in wealth at the expense of even the other rich capitalist countries.

And right at the top a group of capitalists – financial oligarchs – have grown enormously wealthy at the expense of everyone else.

The Asian Crisis

The Asian crisis was the first great crisis of globalisation. In the 1980s countries like Singapore, Malaysia, Taiwan, Thailand, the Philippines and South Korea were called the Asian Tigers by the World Bank and the IMF because they grew so much. Neo-liberal economists and politicians claimed that this growth was because these countries had implementing policies of trade liberalisation and privatisation. But in 1997 the economies of these countries collapsed and, as a result, some of them like Malaysia even went against IMF instructions and re-established exchange controls.

G7, G8, G20 etc

These are meetings of the most powerful countries. Some critics argue that the growth of the number of meetings and the expansion to include countries like Brazil and South Africa is a sign that the USA's power is weakening as is the case with the IMF.

The Asian crisis of 1997-98 similarly raised questions about the usefulness of the IMF, whose role it was precisely to prevent such a run on major currencies. Since 2004, Argentina has had a stand-off with the IMF, refusing to pay its instalments on loans – and the IMF blinked first and offered to renegotiate the terms of future repayment.

The IMF is today particularly discredited because – like in the 1997 Asian crisis – it failed to do its job of warning the capitalists about the consequences of financialisation and staving off the very crisis which threatens the capitalist world today.

As a result, and with the growing rivalry between imperialist powers as the USA loses its authority over the world, the US state has tried to set up other forums like the **G8** and **G9**, and more recently the **G20**, to try and find a common solution to the problems of globalisation.

Chapter 5: Globalisation and imperialism

....what is called globalization is really another name for the dominant role of the United States

Henry Kissinger, former US Secretary of State

"For globalism to work, America can't be afraid to act like the almighty superpower that it is.... The hidden hand of the market will never work without a hidden fist – McDonald's cannot flourish without McDonnell Douglas, the designer of the F-15. And the hidden fist that keeps the world safe for Silicon Valley's technologies is called the United States Army, Air Force, Navy and Marine Corps."

Thomas Friedman, "What the World Needs Now", New York Times, March 28, 1999

"The US will lose its superpower status in the global financial system. The financial crisis is above all an American problem. The other G7 financial ministers in continental Europe share this opinion,"

German Finance Minister in parliament, Mr Steinbrück, predicting a new multi-polar order where power is spread across the globe. December 2008

The early 20th century saw the transfer of power from Great Britain to the USA as the dominant imperial power. The Bretton Woods agreement after WWII completed this process with the USA dominating world trade and investment and having the political authority to shape the capitalist world as it saw fit. Its currency – the dollar – became the world's trading and reserve currency and it was the controlling shareholder in the two banks set up at Bretton Woods – the IMF and the World Bank.

Marshall Plan
This was a massive programme of aid to countries of Western Europe after the destruction of World War 2. The money came largely from the World Bank, with the full support of the USA – worried about the ideological threat of communism and informed by Keynesian ideas of growing the market.

After the war the USA used its power to re-build Japan and Germany and, via the **Marshall Plan**, to rebuild much of Western Europe, at the same time as destabilising African, Asian and Latin American countries who wanted to pursue any path of development. Under the Keynesian dispensation of Bretton Woods, the USA and its corporations took the lion's share of the wealth produced in the world but also dragged the rest of the world upwards behind it.

The USA set the global rules and its army served as the last resort for sorting out any challengers to these rules. Countries like Britain, Germany, France, and Japan could develop their own brands of capitalism (which were all respectful of Keynesianism), provided that they respected these global rules, and in return the USA could be the global policeman. Until it collapsed, the Soviet Bloc was the threat / bogeyman which the USA could invoke whenever military power was needed to impose its will and the will of its partners in Europe and Asia.

Globalisation has changed this picture of imperialism. Faced with the crisis of profitability of the early 1970s the USA was largely the driving force behind financialisation and the other restructuring that accompanied globalisation. But this restructuring did not increase the stock of wealth in the world;

instead it only distributed the smaller amount of wealth differently – to the financiers, the banks, the **hedge-funders** and their hangers-on. The financiers in the USA have been at the centre of this process.

The failure of globalisation has therefore meant that the USA has been sucking in the wealth from the rest of the world, even at the expense of the other imperialist powers. For the past 25 years the USA has been living beyond its means, buying more than it is selling, running up a huge federal debt, and then relying on other countries to bail it out.

Two examples are interesting here:

- When the USA fought the first **Gulf War** against Iraq it got Germany and Japan to pay for the war. So US tanks, airplanes and machine guns were bought from US companies like Lockheed and paid for by Japanese and German tax-payers.
- US debt today – close to $3 trillion – is being financed through the Chinese state who is buying US treasury bonds.

This is a whole new dimension to imperialism today.

The USA is in dire straits

Driving through globalisation has come at a price for the USA. Its currency, the dollar, has been the **medium of international trade.** Under Ronald Reagan the USA used high interest rates to drive up the value of the dollar. This encouraged many capitalists, as well as the Japanese and the Chinese governments, to buy US Treasury Bonds. But the higher dollar value also made US exports more expensive and therefore the USA became an importer of goods rather than an exporter. US industry has never been able to recover from this.

Under George Bush the USA has tried to recover from the 2002 collapse of its Bubble Economy by lowering interest rates to practically zero. But increased domestic demand by US consumers has simply meant that they are buying even more imported goods – thus increasing the weight of imports in the economy – and speculating on money markets. As a result the USA has the largest trade deficit in its history.

Today the USA is in effect relying on "borrowing" $1billion each day to cover the deficit in trade. Much of the debt is treasury bonds owned by the Chinese and the Japanese governments. If they decided to sell the US Treasury Bonds, the US dollar and the US economy would collapse. Fortunately, for the USA, its domestic market is still the market for the goods of all the major countries. So for the moment that China and Japan are not about to let the whole system collapse.

But the USA's vulnerability is having the serious political effects. Under George W. Bush a group of rightwing neo-liberals came to power, determined to use violence to re-establish US

power – hence the invasions of Afghanistan and Iraq and the attempts with Israel to restructure the Middle East. Under Barrack Obama the project of US aggression continues with the increase in the size of the invasion of Afghanistan and the invasion of large parts of Pakistan.

The fact that Iraq became a quagmire for the USA has raised serious concerns about its capacity to successfully impose its violent will on its empire. It is still the world's only super power. But the abuse of that power today is an index of weakness rather than strength.

The USA's relative decline has opened the door to a number of potential challengers. Most important is China – using its state control over workers to impose restructuring on a scale and pace never seen before. China has ambitions to be the next superpower. With its strategic hold over US bonds and its attractive market, China has been able to extract major concessions from the USA.

None of these developments mean that US companies are not themselves beneficiaries of these arrangements or that the US state, and its currency, the dollar, do not still shape the world. But from the early days of globalisation and a position of complete supremacy after the collapse of the Soviet Union, the USA no longer simply gets its own way by the sheer weight of its economic power.

This picture has led to three very different views as to the current state of imperialism in the world today:

View 1: The USA will remain the only imperialist power

Some people are saying that the USA still determines the rules of neo-liberal globalisation, controls the IMF, the World Bank and the WTO and has, by far, the largest army. And that all the likely candidates for a new imperialist power (e.g. China) are so integrated with US imperial power that they have no choice but to stand or fall with the USA.

They point out how the Chinese owning the US debt through holding US Treasury bonds only means that China is as vulnerable as the USA to the collapse of the dollar, since this would kill off China's own reserves. Some who hold this view point as well to China's own insecurities – largely that it is a repressive state that will at some stage have to deal with its own population's rising expectations and the growing incidence of workers' struggles in China if it wants to play any kind of global policeman role in the world.

Hegemony
This word describes how a country or a state can rule over others because everyone looks to that country or state to do the job. It is contrasted to the use of force to do so, although the threat of force can also provide the power for hegemony.

"I don't see US **hegemony** that way. I see the elites of the world, especially the elites of the capitalist core broadly conceived, as being very happy with US hegemony because what it means for them is that the United States assumes the role and the cost of world policeman. This is true, I think, of the elites even of most p or countries today.

What's the goal of the US world policeman? Not to attack other countries — mainly, it's to keep social order, to create stable conditions for global capital accumulation. Its main purpose is to wipe out any popular challenges to capitalism, to support the existing structures of class relations.

For most of the post-war period, there were nationalist-statist challenges, especially from below, to the free rein of capital. They unquestionably were met by the most brutal US force, the most naked expressions

of US domination. Although within the core of the system there was US hegemony, outside of it there was dominance by violence.

But with the fall of the Soviet Union, China and Vietnam taking the capitalist road, and the defeat of national liberation movements in places like southern Africa and Central America, resistance to capital in the developing world was very much weakened, at least for the time being. So today, the governments and elites not only of western and eastern Europe, Japan and Korea, but also Brazil, India and China — most anyplace you can name — would prefer the continuation of US hegemony.

US hegemony will not fall because of the rise of another power capable of contending for world domination. Above all, China prefers US hegemony. The United States is not planning to attack China and, until now, has kept its market wide open to Chinese exports. With the US world policeman ensuring ever freer trade and capital movements, China has been allowed to compete in terms of cost of production, on an equal playing field, and this has been incredibly beneficial to China — it couldn't be better."

(Robert Brenner)

View 2: China will some time in the near future become the new imperial power

Other people say that the USA's decline is irreversible and that the centre of gravity of imperial power is moving eastwards towards China and India. They point to the massive growth in the Chinese economy over the last 20 years – now the world's third largest economy – and that so much of the current role as the largest market for all the goods in the world (a role that the USA played for so long) is now played by China.

China, in the midst of the current crisis – which led to recessions in the USA, Europe and Japan – continues to grow and is the nearest thing to hope that capitalism may emerge from this crisis. Some of these people also argue that China is being strategic by buying US Treasury bonds and this gives it leverage over the USA.

They also point out to China acting – politically and otherwise – in defiance of the USA, refusing for many years to join the WTO, courting countries in Africa, Asia and Latin America with special deals in direct competition with the USA, pursuing its own interests in the case of Taiwan, Burma and Tibet etc.

"Basically, they're moving slowly out of the dollar and the dollar is collapsing. And that adds more to the collapse of U.S. hegemony because the last two pillars of U.S. hegemony in the first decade of the 21st century have been the dollar, which is now kaput as far as I can tell, and the military is useless."

(Immanuel Wallerstein)

> *"This crisis, however, threatens to be even more fundamental. While the 1973 gyrations were the result of a temporary shift of power from the industrial world to Opec, the underlying cause this time is permanent and far-reaching - a fundamental shift in power from the developed world to the developing world, and above all China and India. We have not witnessed anything like this since the inception of the west as an industrial powerhouse in the 19th century."*
> (Martin Jacques)

View 3: We are moving to an unstable multi-polar world in which no power is hegemonic

This view acknowledges both the strengths and weaknesses and the previous two views but says that the decline of the USA – as a power able to impose its will on the rest of the world – is real and, possibly, irreversible. That the failure of globalisation is also the failure of US hegemony and that the fact that the USA now is a vulture drinking from even the other imperialist powers means that there will be a period of continued tension.

At the same time this view acknowledges that China is too internally contradictory and too linked to the fortunes of the USA to supplant the USA. But the view draws the conclusion that we will most likely be living through a period of imperial rivalry and instability – with countries like China, and even India, Brazil and South Africa seeking to maximise imperial domination where they can – Brazil in Latin America for instance and South Africa in Africa. These rival powers will defy the USA when they can and yet remain under US authority when it suits them. They may form regional alliances and other ways to level their own interests without seeking to have some kind of show down with the USA.

Does the crisis indicate that neo-liberal globalisation is over?

The US state with Barack Obama in power has earmarked a $800 billion rescue package and Obama has been talking since he came to power about a "new deal". This talk of a new deal sounds like the policy of Roosevelt – the US President who came to power after the Wall Street collapse in 1929 and called his policies the New Deal.

At the same time neo-liberal states have gone about doing things like nationalisation and partial nationalisation in Britain and the USA.

At international meetings some politicians have raised the need for a new reserve currency to take the place of the dollar and the French president, Sarkozy, even spoke of a new Bretton Woods agreement in 2009.

These developments have made some people ask the questions: are these actions not a sign that the age of globalisation is over and that governments will soon move back to their economic policies of John Maynard Keynes?

There are two views on this question:

1. One view is that they are trying to but they can't

"Governments today really have no choice but to turn to Keynesianism and the state to try to save the economy. After all, the free market has shown itself totally incapable of preventing or coping with economic catastrophe, let alone securing stability and growth. That's why the world's political elites, who only yesterday were celebrating deregulated financial markets, are suddenly now all Keynesians.

But there is reason to doubt that Keynesianism, in the sense of huge government deficits and easy credit to pump up demand, can have the impact that many expect. After all, during the past seven years, thanks to the borrowing and spending encouraged by the Federal Reserve's housing bubble and the Bush administration's budget deficits, we witnessed in effect probably the greatest Keynesian economic stimulus in peacetime history. Yet we got the weakest business cycle in the postwar epoch.

Today the challenge is much greater. As the housing bubble collapses and credit becomes harder to come by, households are cutting back on the consumption and residential investment. As a consequence, corporations are experiencing falling profits. They are therefore cutting back on wages and laying off workers at a rapid pace, detonating a downward spiral of declining demand and declining profitability.

Households had long counted on rising house prices to enable them to borrow more and to do their saving for them. But now, because of the buildup of debt, they will have to reduce borrowing and increase saving at the very time that the economy most needs them to consume. We can expect that much of the money that the government places in the hands of households will be saved, not spent. Since Keynesianism could barely move the economy during the expansion, what can we expect from it in the worst recession since the 1930s?"

(Robert Brenner, 2009)

2. Another view is that they simply cannot and all they are doing is repeating the same neo-liberal responses

In the United States, any attempt to find an adequate Keynesian solution has been doomed at the start by a number of economic and political barriers that are almost impossible to overcome. A Keynesian solution would require massive and prolonged deficit financing if it were to succeed. It has been correctly argued that Roosevelt's attempt to return to a balanced budget in 1937-8 plunged the United States back into depression and that it was, therefore, World War II that saved the situation and not Roosevelt's too timid approach to deficit financing in the New Deal. So even if the institutional reforms as well as the push toward a more egalitarian policy did lay the foundations for the Post World War II recovery, the New Deal in itself actually failed to resolve the crisis in the United States.

(David Harvey, 2009)

Both these views however agree that the key to what happens next is the strength of the working class and its ability to stamp its own agenda on the future.

Chapter 6: The growth of opposition

1. Globalisation has lost the ideological battle

When neo-liberal globalisation first came about in the 1980s, many middle class people in the USA and Europe liked the talk of free markets and for the "private sector" to make social services operate more efficiently.. The collapse of the Soviet Union and the Eastern bloc appeared to show once and for all that only capitalism worked. Rightwing academics started triumphantly proclaiming that free market capitalism marked the end of history. If anyone were critical of capitalism they were told, "There is no alternative" (TINA).

Yet today, after almost 30 years of globalisation, there is widespread public disillusionment. Privatisation has become a swearword and governments have to hide their privatisation policies under other names – like public / private partnerships. In South Africa our own neo-liberal government now makes speeches attacking material greed. In Germany voters effectively rejected all the mainstream parties in the 2005 elections. In France and Holland people voted against the neo-liberal European constitution punted by all the mainstream parties. Throughout the world the anti-war movement against the invasion of Iraq had the largest demonstrations against their own governments' support of the war.

Even within the ranks of some economists there are examples of people becoming critical of globalisation:

> *"The fact of the matter is, the banks are in very bad shape. The US government has poured in hundreds of billions of dollars to very little effect. It is very clear that the banks have failed. American citizens have become majority owners in a very large number of the major banks. But they have no control. Any system where there is a separation of ownership and control is a recipe for disaster.Nationalization is the only answer. These banks are effectively bankrupt."*
> (Joseph Stiglitz, ex-World Bank economist)

The Service delivery Revolts in South Africa

Over the first half of 2009 people in communities across South Africa have also been protesting - marching, burning tyres and blocking highways. From Diepsloot and Protea Glen in Gauteng and Sebokeng in the Vaal; to Macambini and Howick in KwaZulu Natal: from Masiphumelele and Maccassar in the Cape to Balfour in the Mpumalanga.

Like working class people elsewhere, South Africans are also beginning to confront neo-liberal globalisation.

Although the struggles became newsworthy only in 2009, they have been actually taking place – with many ups and down - for the past 10 years.

A common feature of the recent upsurges is that of people who have seized vacant urban and small town land and are resisting evictions; or people who are being evicted from camps; backyard dwellers etc who were promised that their relocation to more distant camps would be temporary. This was the story of Joe Slovo; this is the story of Macambini and Masiphumelele today.

Twenty years of neo-liberal policies – privatisation and commercialisation, cuts in social services etc - and their intensification by the ANC government after 1996 have had devastating effects on the working class. Unemployment levels average 40% across the country but reach levels of 60 to 80% in rural areas and the poorer provinces. People in rural areas now relay entirely on welfare grants and remittances from already poor workers in the cities.

Faced in 1994 with a backlog of 1.5 million house the ANC government simply abandonment any idea of a programme of public housing. The apartheid regime had stopped building houses in 1982, so there was already a housing crisis. The new government adopted a policy of only providing subsidies to people to buy their own RDP houses from private and state developers with loans from the banks. Today the government claims to have provided housing by using the terms “housing opportunities”. This means that those who have taken advantage of the “housing opportunities” are in debt, others are in endless waiting lists to qualify for the miniscule rental stock, whilst millions are abandoned to informal settlements or living as backyard dwellers.

Rural livelihoods have collapsed and as a result South Africa’s small towns – the Balfours, the Howicks, the Sebokengs etc - have become rural ghettos of the unemployed, the youth and women. And in urban areas the older brick-house townships have become enveloped in new camps and backyard dwellers. As a result it is not so much the Sowetos, Tembisas, Botshabelos or Mdantsanes which are the nerve centres of protest, but the Diepsloots, the Site Cs and the Protea Glens.

In the earlier waves of the 2000s struggles were around cut-offs from service delivery – from water and electricity. Some movements in Soweto – like the SECC - even began defying state cuts offs by reconnecting water and electricity themselves and challenging neo-liberalism’s programme of commodifying public services.

20 years of neo-liberalism and globalisation have reconfigured the working class in SA – a class of casualised and informalised workers, of the unemployed, of never-employed youth, of commuter women and of backyard-dwellers. Older movements – like most of the trade unions and all of the political parties - are grappling with understanding the struggles being led by these newer sections of the working class, which today constitute the majority.

The global crisis and workers' responses

When Argentina fell into a crisis in 2001 workers occupied hundreds of workplaces and dared to challenge the authority of their bosses and the state. Over the next few years nearly 200 factories were 'recovered' by workers and in many cases they became democratically run by the workers themselves.

With the current global economic crisis, Argentina has once again been taking the lead in occupations and turning factories into worker self-managed institutions. Ten factories have been occupied in Argentina since 2008. The workers have taken this action to stop the owners from declaring bankruptcy. It has long been a strategy of the Argentinean bosses to declare insolvency, fraudulently liquate assets, and suddenly open the business under a new name a few months later. A number of the newly-occupied factories have also received major support from the older self-managed factories. Already, workers at least one of the 10 occupied factories – the Arrufat Chocolate – have elected to take over the factory permanently and operate it on a democratic basis. They have already gone into production using generators and are turning Arrufat into a viable worker self-managed operation.

However, apart from Venezuela under the Bolivarian revolution, such a factory recovery movement did not move outside Argentina in recent years. But with the latest capitalist crisis factory occupations, have begun in other countries as well.

In Britain a car parts manufacturer, Visteon, informed workers that the company would be shutting its doors. In response the workers decided to occupy the company's plants. They were furious as they had only been given 6 minutes notice and a severance package that was paltry. For over a month, the workers occupied Visteon's buildings despite the threat of arrest. In the end, even though they could not save their jobs, they won a severance package that was worth ten times the original offer. In the process, the Visteon workers regained the dignity that the management tried to strip them of. Similarly, when workers

at Prisme Packaging in Dundee, Scotland were told that the company was shutting its doors, they staged a 51-day sit-in. They decided that they were not willing to lose their jobs and said that they wanted to re-open Prisme as a co-operative under self-management. For them, victory came when they managed to secure funding for their co-operative venture.

In Ireland workers at the Waterford Crystal factory in Ireland were informed by the company's liquidators, Deloitte and Touche, that they no longer had jobs and that they would not even receive severance pay. The workers decided to defend their livelihoods by staging an occupation. In response Deloitte and Touche sent in a private security force to intimidate the workers. Eventually, however, the company was forced to make 10 million Euros available for a severance fund and negotiations are now underway for some of the workers to keep their jobs.

In late 2007, 300 workers at Frape Behr **in Spain** occupied their workplace to stop retrenchments. Community activists and supporters surrounded the building and protested in solidarity with the workers inside. At the same time, workers in Serbia were occupying their factory, Shinvoz, to prevent it being privatised.

In France, workers under the threat of retrenchments at FM Logistics 125 workers invaded a manager's meeting and held the bosses hostage until their demands were met. The workers did this because the company had formulated a plan to retrench over 470 workers due to the current economic crisis. After only one day of "captivity", the managers of FM Logistics agreed to re-examine their retrenchment plans. Similar "boss-nappings" have also occurred at the French holdings of Sony, 3M and Caterpillar. The majority of the French public have supported these "boss-nappings". This support has meant that the French state has not been able to move against the workers involved.

Factory occupations have also taken place **in Turkey.** Workers have been hit extremely hard by the crisis with over 500 000 people losing their jobs since September 2008. In order to stem this, workers in a number of factories – such as MEHA textiles and Sinter Metal – embarked on workplace occupations.

In the USA there have also been a number of occupations. The most well known is the Republic Windows and Doors occupation. The occupation occurred because the workers at the plant were given just 3 days' notice that it was to be shut. To add insult to injury, it turned out that Republic was closing because the Bank of America – which had received billions of dollars of public money in bailouts – refused to extend the company's credit. The occupiers received massive public support. Subsequently, the workers won severance pay and the company has opened under new ownership – meaning some jobs have been saved.

The Rise of the Global Justice Movement and the World Social Forum

The World Social Forum (WSF) has come to be a key rally for activists from all over the world since it was first held in Porto Alegre, Brazil, in January 2001. Under the slogan, Another World is Possible, the WSF has drawn hundreds of thousands of activists together against imperialism and neo-liberalism.

The international revival

In 1999 the Ministerial meeting of the World Trade Organisation (WTO) is abandoned when thousands of demonstrators blockade the streets of Seattle. Subsequent attempts by rich governments to hold meetings - whether of the WTO or the G8 - are disrupted at Genoa, Stockholm and Prague. After many years of being occasions to celebrate the neo-liberal world order, the meetings have come to be organised under siege.

Before 1999, meetings of the IMF, the World Bank and the G8 did have protests, but these were well-managed affairs of NGOs and lobbying groups for whom the IMF and the G8 organisers often created official space. These voices were critical of neo-liberalism; of Third World debt and of the structural adjustment programmes, but in the atmosphere of retreat of mass organisations of the working class in the 1980s and 1990s, they could be managed and tolerated as part of the dialogue between civil society and neo-liberal governments.

Seattle, Genoa and other street occupations marked a whole new stage of development – both in the composition of the protests as well as in their choice of methods of struggle. Now thousands youth, workers, women and mass-based activists directly confronted the police, threatened public order and actually attempted to block the bourgeois forums altogether. Dialogue was replaced with confrontation and direct opposition.

Local struggles

At the same time local mass struggles of revival of the working class, of experimentation with new forms of organisation, were underway. In Mexico peasants rose up against the government and formed a movement called the Zapatistas; in Bolivia thousands of poor people stopped water privatisation; in South Korea workers blockaded streets and occupied plants. In many parts of Europe young people began to experiment with direct action. A new mood of rejection of neo-liberalism was sweeping across the world. Many commentators have begun to call this international upsurge the global justice movement.

Developments in Latin America

In 2001 the new Workers Party (PT) government of the southern Brazilian city of Porto Alegre invited activists to a forum to be held as a counter to the World Economic Forum (WEF) – a meeting of Big Business and neo-liberal governments in Davos, Switzerland. This forum was called the World Social Forum. At the time a tide of social movement militancy was sweeping across Latin America – stopping privatisation in Bolivia, occupying land in Brazil and paralysing neo-liberal governments in Argentina. Activists from all these movements in Latin America joined with workers, direct action youth and other activists in converging on Porto Alegre and turned the World Social Forum into a celebration of protest against the neo-liberal world order and a new focal point on the calendar of activists everywhere. After 2001 activists in Africa, including South Africa, too began to make the journey to the WSF in Porto Alegre.

Since 2001 the World Social Forum, as well as being held in Porto Alegre and Belem in Brazil, has also been convened in Mumbai, India, in Nairobi, Kenya, as well as on three continents at the same time in 2006. Activists have also formed a number of regional and local forums based on the WSF model – including an African Social Form and a Southern African Social Forum.

The WSF Charter of Principles

When the WSF was convened the organisers drew up a Charter of Principles, ratified by the International Council:

- The WSF is an open meeting space which is plural, diversified, non-governmental and non-party.
- The WSF defines itself politically as a space of groups and movements of civil society opposed to neo-liberalism and the domination of the world by capital and any form of imperialism
- WSF events are non-deliberative, meaning that while organisations and groups are free to decide on declarations or actions the WSF as such will not, nor will anyone be allowed to speak on behalf of the forum.
- The WSF will always be open to pluralism and a diversity of activities and ways of engaging.
- The WSF is open to all and does not operate on the basis of invitations. The WSF is not open to political parties or organisations which practise violence.

The whole continent of Latin America is aflame with new social movements and a new layer of left governments has been elected in Venezuela, Bolivia, Ecuador, Paraguay and Nicaragua. Only electoral fraud prevented a left government emerging in Mexico. The Venezuelan government is experimenting with new forms of popular democracy and using its oil wealth to lever new political trade relations in defiance of the WTO and the USA.

The current global crisis of capitalism has begun to revive a critical sense amongst thousands of people in the world that capitalism is not be sustainable and the subjugation of human needs of the majority to the profiteering of the minority is not a viable way for human beings to live. Long standing traditions of workers' struggles – like self-management, like internationalism, like socialism are once again the currency of a new layer of worker activists.

Chapter 7:Alternatives to Globalisation

"Beginning in the early 1990s, extra-parliamentary socio-political movements emerged throughout most of Latin America and were accompanied by large-scale popular uprisings, deposing ten incumbent neo-liberal client 'Presidents' installed under the patronage of the US/EU: Three in Ecuador and Argentina, two in Bolivia, one each in Venezuela and Brazil."

(James Petras)

Until recently Latin America was the backyard of US imperialism and many of its countries had followed IMF policies to the full (they were even cited as examples by neo-liberals in South Africa that South Africa should follow).

Today Latin America is home to some of the biggest challengers to neo-liberalism and its globalisation project.

Under Hugo Chavez, Venezuela has charted a course independently from US imperialism and instituted a series of important reforms called the Bolivarian Revolution, including state-funded literacy, health, education and nutrition programmes. The government raised taxes on foreign businesses, strengthened the nationalisation of the oil industry and used the revenues this generated to support upliftment programmes. It also supported the take-over of certain factories by workers who instituted joint state-community-worker management. It made state-owned land available to poor people for subsistence farming. Venezuela initiated trade agreements, first with Cuba, and then with other countries, in clear opposition to the US-dominated treaties such as the Free Trade Agreement of the Americas (ALCA) and NAFTA.

It started to pay women for household labour, and has implemented a programme of "participatory democracy" by giving citizens more voice in the running of the state and by supporting independent community and labour organisations with state resources.

In Bolivia, after big strikes and struggles against neo-liberalism the people of this country elected Evo Morales as president in late 2005. He is the first indigenous president of Bolivia and this marks an important step in the struggle of the indigenous masses. Morales has increased state revenues by extending control over private business in the energy and mining sectors. He hopes that this will enable the Bolivian government to implement similar programmes to that of Venezuela.

Over the course of 2007, 2008 and 2009, Ecuador, Nicaragua and Paraguay have also held elections and these have been won by centre-left parties having roots in the vibrant social movements of Latin America.

All of these countries have formed closer relations with Venezuela and this

has allowed the Bolivarian movement to thumb its nose at the USA and experiment with new form of trade agreements – such as the ALBA, whilst rejecting neo-liberal trade blocs like the ALCA.

Honduras has however paid the price for its moving closer to the left in Latin America. On 28 June 2009 the military, backed by the USA, seized Manuel Zelaya, the democratically-elected president, and forced him to board a plane to Costa Rica.

Mass movements have won important victories against neo-liberalism, taking over large territories and crucial aspects of society. Examples include the take-over of many businesses by workers in Argentina, land invasions and participatory budgets in Brazil, as well as community governments and land take-overs by the Zapatistas in Mexico.

Experiments with alternatives to globalisation

1. A Wage for Housework: A Victory for Women's struggles

On 2 February, in a speech delivered in the Teresa Careño theatre in Caracas, The President of Venezuela, Hugo Chávez, proclaimed that from 1 May 2006 100,000 Venezuelan female heads of household would receive 380,000 Venezuelan Bolivares per month ($185) for domestic work. This is about 80% of the minimum wage in Venezuela.

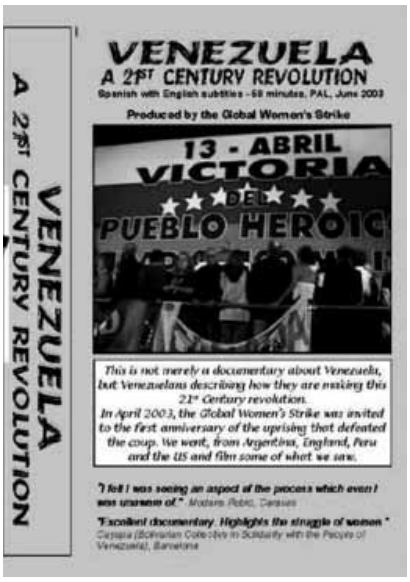
After a further 6 months another 100,000 women will receive payments in recognition of their domestic work. These amounts will be paid by the state.

Over many years feminism has focused on the issue of women's unpaid domestic work. This includes activities such as washing, cooking, shopping, rearing children, and caring for the sick and aged. In short the emotional and physical welfare of people – that contribute to a 'successful' capitalist society. Feminists have argued the need for a domestic wage, for men to share in duties and for women's work to be accounted for in national budgets and to be part of trade union demands.

Article 88 of Venezuela's new Bolivarian Constitution says:

"The state guarantees equality and equity between men and women in the exercise of their right to work. The State recognises work in the home as an economic activity that creates added values and produces social welfare and wealth. Housewives are entitled to Social Security".

That Article 88 will finally be realised is due to the persistence of Nora Castañeda of the Women's Development Bank (Venezuela) and the grassroots women of Venezuela. They conducted widespread struggles since 1999 culminating in a highly-publicised delegation to Chávez on the same day as the Global Women's Strike.



The achievement of payment for domestic labour is hard won. This matter was already put in the new Venezuelan Constitution in 1999 but the victory was only achieved in 2006 after much pressure by this group. So even when such provisions are made in a country's constitution there is not an automatic implementation – demonstrating that often little value is accorded to things associated with women.

This 1 May victory demonstrates a changing value system in regard to the valuing of domestic work. It has the possibility for changing the way domestic tasks are viewed by both women and men. However it is not without problems – it also has the potential of reinforcing women's work at low wage and it is unclear whether women who work outside of the house as well as inside the house would qualify for this wage. So this does not address the double burden of many women.

But it does begin to give us some idea of an alternative way of organising society that challenges patriarchal assumptions about domestic labour. As Sharon Lungo, an activist who participated in the Global Women's strike delegation noted that in Venezuela the focus is on addressing injustices by building alternatives and not by simply including women in the language of existing laws.

2. Experiments with new forms of democracy?

2.1 In Mexico

In Mexico the Zapatista movement feels that state power is, in and of itself, hostile to poor people and to democracy. They therefore decided not to fight for state power. Instead they fought for autonomy – the right of the indigenous people in the Chiapas region, where the movement is based, to govern their own communities. The Zapatistas instituted a system of governance in the areas under their control that is based on as much autonomy as possible to local communities. These include elections and democratic control of the armed forces, central bodies that carry out the decisions of lower and broader bodies instead of deciding for them, and full equality for women. They have also tried to rotate the personnel of their leadership and military command structures as much as possible to avoid the formation of a bureaucracy.

This approach has had many advantages for the Zapatistas. The movement has managed to avoid the hostile alienation between leadership and membership that has undermined earlier resistance movements. But there are also numerous challenges. The most significant is the fact that the Zapatista strategy tends to leave the overall power of the neo-liberal Mexican state and capitalist class intact. These forces have continued to control most of the society's resources, and the indigenous masses therefore remained poor and marginalised.

2.2 In Brazil

In Porto Alegre, Brazil, when the Workers' Party (PT) governed the town and the state of Rio Grande du Sul, the PT also tried to address the limitations of neo-liberal democracy. The local PT administration started a "participatory budget" process. The poor could decide the way the revenue

of the city was going to be spent, instead of the elected representatives deciding on their own. Neighbourhood assemblies sent mandated delegates to forums that designed the municipal budget.

This brought various advantages to the working class and the poor. It allowed for a greater accountability of elected representatives and a budget more in tune with the needs and priorities of the citizens. It also promoted a more politically aware and active citizenry. But the decision-making was limited by the fact that most of the income of the city depended on the dwindling allocations from the neo-liberal national government. The gains could also be easily reversed – and were reversed when the PT lost the election.

It was a different version of the same problems that beset the Zapatistas as a result of capitalist state power being largely left intact.

2.3 In Venezuela

In Venezuela the national government has encouraged attempts by the mass movements to find alternative forms of democracy and public power. They instituted Local Public Planning Councils (or CLPPs, in their Spanish abbreviation). These bodies were similar to the participatory budget process in Porto Alegre, but they dealt with all important local government matters instead of just budgeting. They were able to deliver similar benefits to the Porto Alegre process but the mass movement in Venezuela was stronger and therefore demanded more than the Brazilian participatory budgeting process.

The Venezuelan mass movements created, with eventual support of the national government, Organisations of Community Living (OCVs). Each of these OCVs consists of about 30 families in a neighbourhood that basically govern themselves and receive resources directly from government in order to do so. They combine on a voluntary basis with other OCVs in order to decide and organise the delivery of services. They therefore make it possible to imagine an alternative to the neo-liberal political system of limiting popular power.

3. Worker take-overs of factories

In the late 1990s the Argentinean economy suffered a severe crisis. Thousands of factories closed and were abandoned by their owners. Million of workers lost their jobs. Rather than accepting these factory closures however, many workers took over many of the closed factories. All over the country workers took over more than 180 enterprises employing more than 10 000 workers. These recovered enterprises included hotels, abattoirs and factories making appliances and shoes. When the former owners wanted their factories back workers embarked on mass struggles and legal battles to keep their factories under their control.

The Zanon Ceramic factory was declared a factory under workers' control in October 2001. The workers called their factory FaSinPat, which means “factory without owners”. The take over was a culmination of events dating back to the early 1990s.

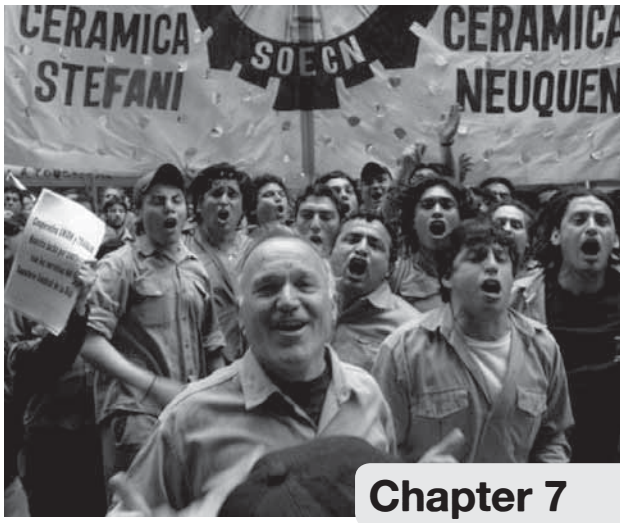
At that time a number of workers had been retrenched, specifically older workers and women workers. The 300 remaining workers were forced by management to work harder and at a greater pace. This resulted in many injuries. One worker died on his way to hospital because of a work-related illness in 2000. In response workers went on strike and demanded better standards of health and safety and the employment of a nurse on all shifts. The factory owner locked the workers out. In response workers occupied the factory. They did so, initially, with a view to sustaining their strike.

The Zanon management declared the company financially bankrupt and sought the permission of the courts to allow them to sell the factory. In October 2001, after a long debate in their worker assembly, workers resolved to take over the factory under their control, and began to restart production. They claimed control of the factory on the basis that the factory owner owed them a significant amount in unpaid wages. In March 2002 the Zanon Ceramic factory returned to full-scale production.

Over that year the workers made links with other worker-controlled factories, the local organisation of the unemployed – the piqueteros - and human rights organisations. They used the local radio station to win the support of the public. They started a newspaper, "Our Struggle", which played an important role in the mobilisation of community support. They organised rock concerts and a theatre production.

In April 2003 a court order was issued to allow police to evict the workers from the factory. In response the workers embarked on a campaign to defend their factory. They linked up with the ADOS worker cooperative, which runs local hospital, as well as the local piqueteros. Students at the University of Comane formed an association to support the Zanon workers against eviction. The Argentine Workers Federation (CTA) threatened a support strike.

In the fifth attempt to evict the Zanon workers more than 3000 community members formed a picket line in front of the factory to stop the police. The Zanon factory workers demanded that the government pass a law of national expropriation for their ceramic plant under workers' control. They asked community members to sign a petition in support of this demand. Their battle slogan, like other workers that took over their factories, was Occupy, Resist and Produce.



The Zanon workers also approached the courts to allow them to continue with production. In October 2005 workers won a short-term victory when the federal court recognized their factory as a legal entity for one year. In October 2006, Zanon workers won another short-term legal victory allowing them to operate for another three years. The three year breathing space provided by the court allowed the workers to concentrate on production planning, improve working conditions and starting community projects. They intensified their mobilization of communities in demand of a law allowing expropriation of factories under workers' control.

Zanon workers also linked up with workers in other countries – in Venezuela, Uruguay and Brazil that had taken over closed factories.

They participated in the first Latin American Congress on Recuperated Enterprises in October 2005, where strategies against governments' attacks and capitalist markets were discussed. They also embarked on an international tour to speak to workers in Europe.

Since its take over by workers the Zanon factory has increased employment from 300 to 470. The new workers were drawn form unemployed groups, which participated in the struggle to defend the Zanon factory. The level of production has also improved. In its first month of production under workers' control 20 000 square metres of ceramic tiles were made. By the fourth month workers were producing about 120 000 square metres of ceramic tiles per month. By 2004 the monthly production rate went up to 300 000 square metres. The wages of workers have also improved quite substantially since the take over by workers. Every worker receives the same salary. The number of accidents at work has dropped dramatically.

The hiring of workers, the organisation of production and the pace of work are decided democratically by the workers. Decisions on what to produce, in what quantities, and what to do with the production, are taken by workers in a general assembly of the Zanon workers. The workers have also set up worker committees to deal with sales, administration, security, purchasing, production, planning, health and safety, and publicity. Each committee elects a coordinator that reports on issues, news and conflicts within her/his committee to a meeting of all coordinators. Each coordinator then reports back to her/his committee. Weekly shift assemblies are held. The factory holds a monthly general assembly during which time production is halted.

4. The Bank of the South

In 2007, Venezuela withdrew from the IMF and the World Bank, while Ecuador has expelled the World Bank representatives. Venezuela has also bought the debt Bolivia and Argentina owed to the IMF. Suddenly loans made by the IMF and World Bank to Latin American countries have plummeted. Venezuela, flush with money from the oil price boom, has become the preferred lender in Latin America. Since 2005, the Chavez government has lent $2.5 billion to Argentina, $1.5 billion to Bolivia and $500 million to Ecuador.

Latin American Leaderrs shake hands after signing agreement to set up the Bank of the South

In 2006, Chavez proposed that Venezuela's lending arrangements to other Latin American countries be formalised. He called for a new lending institution – called the Bank of the South – which Latin American countries could use as an alternative source of credit.. Almost immediately, the majority of Latin American countries agreed to become part of the Bank. As a result, Venezuela, Argentina, Bolivia, Ecuador, Paraguay and Brazil have come together to establish the Bank of the South, launched at the end of 2007.

These countries agreed to put 10% of their foreign currency reserves into the Bank as a start-up fund. Once the Bank of the South is up and running, the member countries can then borrow from the Bank, to fund development. Member countries can also use funds from the Bank to prop up their currencies if they are attacked by speculators. All of this will come without any neo-liberal conditions attached.

The Bank of the South marks a possible radical break with the power of the USA, the IMF and the World Bank. The message being sent by Latin American countries is that we will no longer automatically accept the neo-liberal loan conditions of the IMF and World Bank: we will rather seek loans from our own institution without conditions attached. The Bank has the potential to relieve the stranglehold that imperialism has over poor countries, which has forced neo-liberalism onto them via the IMF and the World Bank.

5. ALBA: New forms of international trade

Since the late 1990s, the USA has been trying to impose a new free trade agreement on Latin American – the Free Trade Agreement for the Americas (known by its Spanish name as ALCA). Like all other such agreements under globalisation, the FTAA is about forcing countries to compete with one another to lower workers' rights and reduce public services, whilst opening spaces for, mainly US, TNCs to make profits. In 2001, under Venezuela's leadership, a number of Latin American states banded together to block the FTAA. But the Chavez government of Venezuela was not satisfied with this. It wanted to create an alternative to trade based on cut-throat competition. To this end, in late 2004 it created a new trade partnership – the Bolivarian Alternatives for the America's (ALBA).

At first only two countries – Venezuela and Cuba – participated in ALBA, but today there are nine member countries: Bolivia, Cuba, Nicaragua, Venezuela, Ecuador, Uruguay, Dominican Republic, St Kitts and Haiti.

To meet these objectives ALBA encourages popular participation in its planning and functioning. It has three councils that oversee its operations – the presidential and ministerial councils, and a third made up of social movements. Through this, social movements have become directly involved in the planning and administration of ALBA. Some of the largest social movements in Latin America – e.g. the Landless Workers Movement (MST) of Brazil and the international peasants' movement, La Via Campesina – participate in ALBA. Their ideas around land redistribution, free healthcare, free education and food security have become part of ALBA's goals. ALBA not only promotes participatory democracy in its own

ALBA aims to create a form of international trade based on cooperation rather than competition. It has a wide range of guiding principles:

- To promote trade and investment between member states, based on co-operation, with the aim of improving people's lives, not making profits;
- For member states to co-operate to provide free healthcare and free education to people across the ALBA states;
- To integrate the ALBA member's energy sectors to meet people's needs;
- To create an alternative media to counter the US and regional neo-liberal media, and promote an indigenous Latin American identity;
- To ensure land redistribution and food security within the member states;
- To develop state-owned corporations;
- To develop basic industries so that ALBA member states can become economically independent.
- To promote workers' movements, student movements and social movements;
- To ensure that projects under ALBA are environmentally friendly.

structures, it also commits member states to implement participatory democracy within their borders.

Under ALBA, since 2004 Venezuela has been bartering oil for the services of 30 000 Cuban doctors and teachers. In exchange Cuba has received $1 billion worth of oil a year, which has allowed Cuba to improve its economy. For Venezuela, this deal has allowed it to staff the thousands of new clinics and schools helping to eradicate illiteracy and provide free healthcare to millions of people.

Cuba and Venezuela have also used ALBA's umbrella to create five major agricultural projects that are producing soy beans, rice, poultry, and dairy products. The aim of these projects is to guarantee food security, with Venezuela using these projects to provide free or subsidised food to millions of people. Venezuela has also supplied Cuba with buses to improve its public transport system; it has assisted Cuba with the construction of a massive aqueduct to improve its water supply; and it has helped to revamp Cuba's main oil refinery.

ALBA has also assisted Bolivia. In 2006, the US stopped buying soy beans from Bolivia. To save Bolivia's soy industry, Cuba and Venezuela began importing soy beans from Bolivia under ALBA. Cuba has also been assisting Bolivia to expand its public schools and hospitals. Cuba and Venezuela have also helped Bolivia upgrade its gas sector so that it can become energy self-sufficient.

Under ALBA, Venezuela supplies oil to St Kitts, Haiti, and the Dominican Republic at discounted prices. These countries can pay off these oil bills to Venezuela in agricultural products, such as bananas or sugar. Venezuela has also established an ALBA fund for these states to improve public schools and healthcare.

One of the major successes of ALBA has been the creation of an alternative media. In 2006 a TV channel, Telesur, was launched to service the entire Latin American region. Telesur provides news programmes that are a counterweight to the neo-liberal media. A number of ALBA cultural houses, which promote indigenous and black heritage, have also been created in the member states. Through this, a Latin American identity based on solidarity and an indigenous past is being promoted to counter the influence of US culture, and its individualistic values.

In the midst of fighting for the most basic rights many people all over the world no longer believe their politicians and neo-liberal propagandists that we must sacrifice human rights for the sake of private profit. Thousands of activists are beginning to ask the question - one which used to be regarded as heresy 10 years ago:

What is the alternative to globalisation?

Interesting readings

Much of the analysis drawn on in this booklet was made possible through the work done by the following authors whose articles and books we recommend for further reading:

Robert Brenner: The economy in a world of trouble (interview with Korean daily newspaper Hankyoreh and featured on http://www.solidarity-us.org/node/2071)

John Bellamy Foster: Various articles in the journal Monthly Review

Alan Freeman: The new world order and the failure of globalisation (on http://mpra.ub.uni-muenchen.de/2652)

Patrick Bond: Interpretations of the global financial crisis and their implications for South Africa (paper present at the University of Johannesburg February 2009)

David Harvey: Why the US stimulus package is bound to fail (on http://www.socialistproject.ca/bullet/bullet184.html)

International Labour Research and Information Group

ILRIG is a service organisation founded in 1983. We provide research, education and training to trade unions, community structures and other social movements. Our overall focus is to develop Alternatives to Globalisation. Our specific areas of work include: Trade and investment, Democracy and Public Power, Workplace Restructuring & New Forms of Organising, Gender and Building Women's Activism, and Youth and Globalisation.

The ILRIG Alternative to Globalisation Series

This booklet is the fourth in this series. Our series takes the view that globalisation is not technologically-driven, neutral or inevitable, and that another world is possible. We write our booklets to promote debate and support for people standing up against the forces that are promoting neo-liberal globalisation processes in South Africa and internationally.

Globalisation Today

In this booklet we look at the current global crisis – its immediate causes in the system of globalisation, and its underlying genesis in an earlier problem of capitalist crisis which globalisation failed to solve. This booklet is for activists - those struggling in communities, homes and workplaces, in campaigns and in programmes of social justice. Those concerned with the future of the planet and relations between men and women.

It is also a booklet for anyone interested in the world around us and questioning why wealth and power are so unevenly distributed.

The booklet assumes only that you regard the economic system as produced by human beings, as a result of choices made by governments and people who have wealth and power …. and that other choices are possible.

Nearly 20 years ago, when South Africans began to look forward to freedom from apartheid, ILRIG began programmes on globalisation because then academics and experts and employers told activists to be more realistic in our demands for a better society, and used the notion of "globalisation" as a stick to discipline us and lower our expectations for the new South Africa. ILRIG produced a series of booklets called An Alternative View of Globalisation to unmask the political agenda behind this celebration of the term globalisation.

With the current crisis in the world we are now launching a new series: Alternatives to Globalisation because that idea that there is an alternative to capitalism is an idea whose time has come.

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