

How Globalisation Makes us Poor and Powerless

Susan George

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If human betterment were the object of globalisation, its instigators would have to admit it has been a colossal failure. Market forces and unelected international bureaucracies have been allowed to dictate the rules, with consequences that are evident all around us.

Following the Mexican crisis and devaluation of 1994-95, half of the Mexican population has dropped below the poverty line. A year or two ago, the Asian tigers were singled out as paragons of economic virtue. Today, starvation has returned to Indonesia. A sharp increase in suicides has taken hold in Korea and Thailand where workers no longer see any hope for themselves or their families. In Russia, life-expectancy for men has plummeted by seven years in less than a decade, an occurrence unheard of in the 20th century.

Uncontrolled financial speculation in so-called '*emerging markets*' has led to disaster for the majority of the population in the affected countries. Citizens and their governments are, however, sometimes useful to the prime movers of globalisation. Citizens are unwittingly forced to contribute their taxes to the International Monetary Fund (IMF) bailouts – most of which do not go to the people who are suffering but to the very speculators who caused the crises in the first place. And citizens are further obliged to save reckless private firms that are considered '*too big to fail*' – Savings and Loans in the US, Credit Lyonnais in France, and large firms or banks in Japan.

When the private US hedge-fund Long Term Capital Management recently collapsed after borrowing hundreds of times its initial capital base, the Federal Reserve of New York co-ordinated a bail-out of the fund to which banks were obliged to contribute, because it feared that its failure could destabilise the entire global economy.

As presently conceived, globalisation creates more losers than winners – and no one has any plans for the losers. People who will never meet are placed in direct competition, such that "*Every man is enemy to every man,*" to quote the 17th century philosopher Thomas Hobbes. Such competition creates the now familiar '*race to the bottom*' in labour and environmental standards as countries compete for foreign direct investment. It allows capital total freedom to cross borders, whereas labour is rooted and cannot migrate freely.

It allows transnational capital to escape taxation almost entirely. According to the US government accounting office, three-quarters of the foreign firms on US soil pay no taxes at all. In Europe, corporation taxation supplies less than a third of state revenues; in the US, the figure is a mere 17 percent. Not taxing capital makes social

protection much more difficult to pay for. Governments then tax local salaries, wages and consumption more heavily to make up for the loss.

This 'race to the bottom' strips well-endowed regions of their natural capital and leaves ecological devastation in its wake. It thus systematically externalises environmental and social costs. Economic globalisation in its present form is no accident. Although technology made it possible, it was deliberately designed by neo-liberal economists and governments, international financial institutions and corporate and banking leaders. Operating in the interests of a tiny minority, this system should not be expected to concern itself with the plight of the majority. However, the social misery and upheaval already surfacing as a direct result of globalisation will eventually strike that minority as well. The fatal error of the perpetrators of globalisation is their inability to supply long-term protection for the very system that sustains their power and profits.

Decision-makers should recognise that the current model will necessarily produce and exacerbate poverty, exclusion and social conflict. The challenge is to demolish the reigning ideology that neo-liberal globalisation is inevitable and will eventually shower its benefits on all. This is not reality but doctrine, a matter best left to religion.

Moreover, since globalisation is with-drawing economic and therefore social power from citizens, communities and nation-states while simultaneously decreasing their capacity to protect themselves from the onslaughts of the market, there is an urgent need to re-empower communities and states while working to institute democratic rules at the international level.

Finally, at a fundamental level, we must re-examine the meaning of legitimacy. The major actors in the present world system exert enormous influence on the basis of their self-conferred legitimacy. Corporate directors and bankers, pension and hedge-fund managers, IMF economists, World Trade Organisation (WTO) trade arbiters – and most of the participants at the annual meeting of the World Economic Forum in Davos, Switzerland – all are unelected and unaccountable, yet they exert enormous power over other people's lives. Their self-conferred legitimacy also serves to exclude all other voices.

Exclusion from the decision-making process is no less important than exclusion from material benefits and must be remedied if solidarity within and between nations is to be restored to the world.

Susan George, the author of many books, including *How the Other Half Dies*, is associate director of the Transnational Institute <http://www.tni.org/george> (Amsterdam) and president of the Observatoire de la Mondialisation (Paris).