

# **Economic crisis: fighting back - We need a third way, now**

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**Globalisation has brought economic disaster, but anti-globalisation isn't the answer. There is an alternative.**

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The financial sector has brought society almost to breaking point. The economic edifice is tottering, and the ideological veil that hid its true face has been torn away. The high priests of globalisation have ceased their hymn of praise to the efficiency of the markets, and a debate has arisen over its opposite: deglobalisation. This debate is unusual: it does not set believers in the current orthodoxy against non-believers, but divides the economists and politicians who objected to the tyranny of the financial markets, especially during the campaign against the ratification of the European constitutional treaty.

Over the past few months, newspapers, books and academic journals have brought the discussion of protectionism, leaving the euro and deglobalisation into the public arena [1]. The arguments most commonly cited concern the nature of the crisis facing capitalism, the regulatory framework needed and the issue of democratic sovereignty.

Since the early 1980s, the structures of capitalism have been designed to maximise return on investment ("creating shareholder value") while systematically devaluing labour. The latter allows the former, since the free movement of capital makes it possible to bring the social and fiscal systems into competition. "Globalisation" stands for the redeployment of capital at a global level, to solve the profit margin crisis that emerged in the late 1960s and early 1970s, the supremacy of the dominant classes, whose financial interests take precedence over ordinary people's wages, and pressure on the regulatory authorities to conform to the demands of the markets.

It has taken just 20 years to bring down this edifice: in the mid-2000s profit margins in the US stopped rising and loans to the poor, to compensate for insufficient wages, were no longer enough to absorb US industrial over-production. The shockwaves spread as fast as capital was shifted.

## **Whole of life a commodity**

The present global crisis is not the sum of the crises facing individual countries (Greece, Ireland, Portugal, Spain), which some believe are due solely to internal problems specific to each (strange that they should all manifest themselves at the same time). It is due mainly to capitalism having reached maturity on a global scale, and to the logic of shareholder value creation being taken to an

extreme, with everything treated as a marketable commodity, from the production of basic goods and services to healthcare, education, culture and natural resources in short, the whole of life.

So globalisation cannot be reduced simply to free trade, the mere movement of goods. The law of value has caught up with finance, which now faces an unavoidable task: it must restore the value of work, which is not infinitely compressible, and it must do so on the strength of a material base that is deteriorating or becoming rarefied [2]. The financial crisis is really due to capitalist overproduction and a model of development that has reached the end of the road.

One of the key arguments of leftwing advocates of deglobalisation is that globalisation is responsible for destroying employment and industry in rich countries. According to the economist Jacques Sapir, "Up to the mid-1990s, the advances in productivity in emerging economies were not big enough to change the balance of power with the dominant economies. But since the mid-1990s there have been very considerable advances in productivity in countries such as China and in eastern Europe. And whole sections of economic activity have been moving out of the industrialised countries" [3]. So the inversion of the balance of power between the dominant classes and salaried workers in industrialised countries predates the economic emergence of China by at least 15 years.

In France, the allocation of added value to salaries fell (by around five points gross among non-financial companies compared with 1973 and nearly 10 points compared with 1982) [4], and unemployment surged, during the 1980s. The levels reached during that decade (very low for the allocation to salaries and very high for unemployment) have never really changed since, except during the brief period 1997-2001. So it is right to say that competition between workforces, which has intensified over the past few years, has reinforced the position of the wealthy, but not to claim that the primary responsibility for the decline in employment in the developed capitalist economies lies with the emerging economies.

In rich countries, neoliberalism has led to a division of wealth between capital and labour that favours capital, and changed relative remuneration levels among workers (those on higher salaries have received very large increases, often because their remuneration includes stock options). This is as much to do with the social status enjoyed by senior executives because of their technical abilities, as with the social dumping suffered by workers at the bottom end of the wage scale.

Theorists should be careful to avoid turning a class conflict into a conflict between nations. Frédéric Lordon fears such prudence is futile since "the structures of economic globalisation have effectively brought [Chinese and French workers] into a mutually antagonistic relationship that no amount of denial can remedy" [5]. Protectionist measures would give antagonism between nations more importance than class antagonism. In fact the systemic nature of the global capitalist crisis stems from the fundamental social relationship on which capitalism is founded and casts doubt on the ability of countries to extricate themselves from the crisis by means of national solutions.

With a few rare exceptions (such as Ecuador), governments have taken it upon themselves to make ordinary people foot the bill for the crisis, for the dominant classes in every country take the same attitude. No government wishes to risk, or is able to risk, facing the consequences of a default on sovereign debt that could spread once the first link in the chain is broken. Consequently, they have all condemned their economies to recession. But globalisation is not only a commercial and financial phenomenon; it also concerns production, with the result that the big multinationals show little concern for national economic trends. The question of where to regulate and fight the crisis is therefore crucial.

## **Regulation urgently needed**

Should we condemn the idea of powerful international institutions as a foolish dream? Yes if it's a matter of rejecting talk of "global governance" as nonsense, or condemning the procrastination and failures of the G8, G20 and other assemblies of leaders of the dominant economies. But there is a problem: how to establish global regulation? Leftwing advocates of deglobalisation cite the example of the post-war period, characterised by the Keynesian approach to regulation inaugurated at Bretton Woods.

Two facts show how urgent it is to regulate without waiting for capitalism to be abolished or simply contained. The first relates to agriculture, which today is characterised by complete deregulation of trade in farm products; as a result the best farmland in the southern hemisphere is used to grow export crops to the detriment of subsistence crops, effective demand has fallen and global base prices are highly volatile. How can every country hope to achieve relative autonomy and food sovereignty if the agricultural markets are not ring-fenced, at a global level, to rescue agricultural products, and indeed all commodities, from speculation and the vagaries of the market?

The second fact relates to the struggle against climate change, which is of course a global problem. The failure of the post-Kyoto talks in Copenhagen in 2009 and Cancun in 2010 was mainly due to conflicts of interest between the most powerful economies, which are prisoners of their links to lobbies and multinationals. The emergence of a public conscience calling for the safeguarding of humanity's common heritage, endowed with a global vision, could influence these negotiations. An example is the appeal made by the World People's Conference on Climate Change and the Rights of Mother Earth, on the initiative of the Bolivian government, in April 2010.

The agriculture and climate issues show the need for a complete overhaul of the development model on which capitalist globalisation is based. This aspect is sometimes ignored by advocates of deglobalisation, who cite as their main example the nationally based Fordian model, which is better regulated than the neoliberal model but has led to devastating productivism (the belief that measurable economic productivity and growth is the purpose of human organisation and that more production is necessarily good). We must define the sphere where democratic sovereignty can be exercised.

## **No obvious solution**

How do advocates of deglobalisation see the problem? "Whatever one may think," writes Lordon, "the obvious solution is to reconstitute national sovereignty. It has the great practical advantage, over all other solutions, of already being in place, of being immediately available subject, obviously, to a certain amount of restructuring to make it economically viable: selective protectionism, the control of capital, the political supervision of banks, all things that are perfectly feasible provided one wants them" [6]. These levels of restructuring are entirely pertinent. The problem is the suggestion that national sovereignty is the "obvious" solution, "immediately available" and "already in place", when a major consequence of globalisation has been to deprive democracy of all substance and hand over power to the financial markets.

The most difficult task facing nations is not simply reviving their sovereignty but completely rebuilding it. This must be done both at national and (in the case of Europe) at regional level, since the standoff with the capital markets is no longer exclusively, or even perhaps chiefly, at national level. Paradoxically, while democracy is still mostly expressed at national level, the regulations and restructuring that are needed, especially in the environmental field, must take place at a supra-

national level; hence the importance of gradually building a European democratic space. Since the global crisis is not merely the sum of national crises, there can be no national solution.

The question remains where to begin the task of dismantling neoliberal capitalism. In the short term, it is a matter of urgency to declare most public debts illegitimate and to announce that they will not be honoured, prioritising countries at a European level according to the severity of their problems. The order of priority must be based on an audit of public debts. The entire European banking sector must be collectivised. And strongly progressive taxation must be restored. None of this is impossible in practical terms; all that is missing is the political will, in the words of Keynes, to “euthanise the rentier” by abolishing unearned income.

In the medium-to-long term, there must be a radical transformation of the development model in a non-capitalist direction. The dismantling of the current structures of finance is the first step; it could be launched with a ban on over-the-counter transactions and on derivatives, and the taxation of all other financial transactions. There must also be strict delineation of the area in which the pursuit of profit is permissible if non-trade activities and public interest activities are to be developed while maintaining an ecological balance.

What should we call this approach? The protective measures that will be necessary (the right to work, social security, environmental measures) do not necessarily constitute protectionism. Selective deglobalisation or, on the contrary, globalisation, will no doubt be trickier in practice, but will have the advantage of identifying the real targets to be reached, outlining a socio-ecological bifurcation of societies and gradually building real international cooperation. This is alter-globalisation, which, while criticising every aspect of globalisation, does not advocate its apparent opposite.

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## **P.S.**

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## **Footnotes**

[1] For an overview of the arguments, see: “Démondialisation ou altermondialisme?” and “La démondialisation heureuse? éléments de débat et de réponse à Frédéric Lordon et à quelques autres collègues”; Frédéric Lordon; Bernard Cassen and Jacques Sapir. See on ESSF (article 22017), [Débat : faut-il prôner la « démondialisation » – Partie II](#).

[2] See J-M Harribey, “Crise globale, développement soutenable et conceptions de la valeur, de la richesse et de la monnaie”, *Forum de la Régulation*, Paris, 1-2 December 2009.

[3] “La mondialisation est-elle coupable?” (Is globalisation to blame?) Debate between Daniel Cohen and Jacques Sapir, Alternatives Economiques, no 303, Paris, June 2011.

[4] J P Cotis report, “Partage de la valeur ajoutée, partage des profits et écarts de rémunérations en France” (Allocation of added value, distribution of profits and salary gaps in France), National Institute of Statistics and Economic Studies, Paris, 2009.

[5] Frédéric Lordon, “La démondialisation et ses ennemis” (Deglobalisation and its enemies), Le Monde diplomatique, August 2011.

[6] Frédéric Lordon, “Qui a peur de la démondialisation?” (Who’s afraid of deglobalisation?), La Pompe à phynance, 13 June 2011. Available on ESSF (article 22018), [Débat : faut-il prôner la « démondialisation » - Partie I.](#)