

10 Years Since the Financial Crisis: Why the multiple crises will not be solved by business as usual

Tuesday 23 October 2018, by [GUERRERO Dorothy Grace](#) (Date first published: 9 October 2018).

This is an edited version of a speech given at The World Transformed 2018 panel on 10 Years Since the Financial Crisis: Transforming the Global Economy, in Liverpool last month.

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The panel at the World Transformed [1] (l to r): Ann Pettifor, Raquel Rolnik, Grace Blakeley, Dorothy Grace Guerrero and Leo Panitch.

The facts are clear!

The neoliberal promise that we will have increased economic growth through free trade to improve our lives and the health of our planet was never delivered by the institutions that created the multiple crises we are facing because it is not possible. It never was. The continued pursuits of such policies are resulting in greater inequality, worsening environmental crisis, and erosion of peoples' rights and sovereignty.

The World Trade Organisation (WTO) has existed and has been failing for more than two decades now because it is not possible to have endless economic growth on a finite planet. Natural resources are over- extracted and the damage to the planet from too much extraction of fossil fuels and the current mode of production and consumption is now producing domino effects with both foreseen and unpredictable consequences.

The globalisation of finance and the financialisation of everything is at the heart of neoliberalism. Ten years have passed since the financial crash on 15 September 2008, which started with the collapse of the investment bank Lehman Brothers. Ten years on, the political and economic elites are still not heeding the lessons from the crisis. That is because neoliberal finance and trade serve the

same purpose - ensuring that capital can go where it wants, when it wants, and with any government's ability to regulate or tax or control it severely weakened.

The new-generation comprehensive free trade partnerships are also 'investor rights' agreements. They are cemented by the much-hated and very dangerous Investor-State Dispute Settlement or ISDS that gives power to transnational corporations to sue governments when they sense that their profits will be affected by state policies aimed at protecting people's rights and the environment. This global political economic order has led to a crisis-prone, short-term, unequal economy which is burning the planet.

The world-wide political and interconnected crises increased inequality

The increase in economic growth has benefited only the corporations and did not bring the promised 'development' to the poor. The rich are now richer while the poor are poorer. This is because the priorities of governments serve the interests of the political and economic elites.

Economic growth is not the answer to poverty. If governments want to solve poverty, there should be more policies and programmes with redistributive effects and measures to arrest the inequalities worsened by the current capitalist system. The irresponsible exploitation of the planet in the name of endless growth has put us all on a suicidal path to destruction. Climate and trade justice movements have long argued that letting free trade rule our lives means we need other planets to burn.

A lot has changed in the last 10 years since the collapse of the Lehman Brothers, which triggered the financial crisis that we are still recovering from. The most dramatic is the transformation of the state into a more repressive mode and becoming more subservient to transnational capital.

Our leaders refused to learn the lessons from the financial crisis. They failed us by doing the wrong things and putting us on track to another crisis. We must remember how key states approached the financial crisis ten years ago. Core countries bailed out the banks and bank executives continued receiving their fat paychecks. As the crisis continued to destroy the economy more and more responsibilities were given to the market. The Americans were encouraged to consume more and shop to save the US economy. Europe went into austerity and stripped citizens of welfare benefits that could have enabled the poor to survive and keep their dignity. Many failed to see the lesson from China. Instead of pushing people to simply become consumers, Beijing rolled out the biggest stimulus package done in peace time and saved not just its own economy but also the rest of Asia.

Ten years on from the financial crisis, the biggest banks have tripled their sizes, and some of the financial regulations intended to prevent a new crisis have already been rolled back. Yet there is no sign that the financial system is capable of reform.

Free trade only serves big corporations

Free trade is founded on the principles of profit-making for corporations and not of benefiting humanity and nature. The WTO and various Free Trade Agreements (FTAs) have merely produced a global trade system that is concentrated among only a few transnational corporations. World Trade Reports from the WTO confirm this. In today's capitalist economy, where 80-90% of all productive investment is by private corporations producing for profit, it is the level of profitability of capital that is the decisive factor for growth, not government spending to spur development.

Through 'free trade' rules in the WTO, Free Trade Agreements and investment treaties,

governments have been witnessing the writing and implementation in parts of a new global constitution for the benefit of transnational corporations. Agreements on trade go beyond the issues of trade in goods. They also deal with food, health, employment, water, energy, climate, land, justice and almost all areas where sovereign states are normally supposed to govern. We see global trade rules, especially ISDS, trumping national sovereignty and forcing governments to comply and take away countries' policy space.

Going beyond small reforms

Because the crises are deep and systemic, we need much more fundamental economic restructuring:

1. We need a change in trade and for trade agreements to take investment out of trade deals. This means no more ISDS;
2. We need a globally binding instrument to stop corporate impunity. Governments must support the process mandated by the UN Human Rights Council that is building a binding UN treaty on transnational corporations with respect to human rights, and other policies to reduce the power of corporations (which include big banks that were deemed too big to fail then and even bigger to fail now);
3. We need assurance that the next ten years will be different. The global free trade and financial regimes needs an overhaul. Parliaments should fight for their role to oversee trade and investment negotiations and not let unelected and unaccountable trade and investment negotiators take our future;
4. If we are to avoid a repeat of the 2008 financial crisis, the 'too big to fail' banks should be broken up. We need financial regulations, a Financial Transaction Tax, and closure of tax havens to weaken the lobby power of financial institutions;
5. In addition to the financial and political crises, the climate crisis must be dealt with in a way that helps to solve the financial and political crises. An important part of this is divestments from fossil fuels;
6. Public banks, local savings banks and cooperatives should be supported as they are effective in supporting climate-friendly measures, in particular those which have a not-for-profit public interest mandate.
7. More resources must be controlled outside the market - our public services (education, health, etc.) and our energy resources.

Between fascism and social democracy

Far right populism is exploiting the massive sentiment of people that 'the establishment' is ignoring them and forgetting that they exist, that the political elite is governing for themselves. Their proposal espouses a defensive stance for state management of the economy without changing the system for wealth creation and the priorities that created inequalities. At the same time, the perceived means to solve problems are to keep the borders sealed to migrants.

The progressive alternative is to deepen democracy by ensuring a stronger state and civil society management of the economy. The multiple and systemic crises will not be solved by the very same system that created them. Instead of more growth, there should be redistribution, while welcoming

migrants and protecting democratic processes.

Dorothy Grace Guerrero, 09 October 2018

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<https://www.globaljustice.org.uk/blog/2018/oct/9/10-years-financial-crisis-why-multiple-crises-will-not-be-solved-business-usual>

Footnotes

[1] <https://theworldtransformed.org/sessions/transforming-the-global-economy>