

The International Situation and the WSF

# Coming: A Rerun of the 1930s?

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This meeting of the WSF International Council is taking place against a background of what is shaping up as the worst crisis of global capitalism since the Great Depression seventy years ago. Charting our direction for the future is greatly dependent on understanding the nature and dynamics of this crisis.

Two methodological principles guide this discussion. First, never underestimate the resiliency of capitalism. Second, never underestimate its vulnerability to crisis.

Having said this let me venture that we are entering a crisis that is an intersection of four crises.

## **CRISIS OF LEGITIMACY**

The crisis of legitimacy refers to the increasing inability of the neo-liberal ideology that underpins today's global capitalism to persuade people of its necessity and viability as a system of production, exchange and distribution. The disaster wrought by structural adjustment in Africa and Latin America; the chain reaction of financial crises in Mexico, Asia, Brazil, and Russia; the descent into chaos of free-market Argentina; and the combination of massive fraud and spectacular wiping out of \$7 trillion of investors' wealth-a sum that nearly equals the US's annual GDP-have all eaten away at the credibility of capitalism. The institutions that serve as global capitalism's system of global economic governance-the International Monetary Fund, the World Bank and the World Trade Organization-have been the most negatively affected by this crisis of legitimacy and thus stand exposed as the weak link in the system.

A sure sign of the profound crisis of legitimacy is when the system loses its best ideologues. Among the "best and the brightest" who have deserted are Jeffrey Sachs, author of the "shock treatment" of Eastern Europe in the early nineties who now calls for developing countries not to pay their debts; Joseph Stiglitz, former World Bank chief economist, now the severest critic of the International Monetary Fund; Jagdish Bhagwati, who coined the term "Wall Street-Treasury Complex" to describe the interests that brought on the unending stream of global financial crises since the 1990s; and George Soros, capitalist par excellence who doubles as the enemy of "market fundamentalism."

## **CRISIS OF OVERPRODUCTION**

Intersecting with the crisis of legitimacy is a crisis of overproduction and overcapacity that could portend more than an ordinary recession. Profits stopped growing in the US industrial sector after 1997, a condition caused by the massive overcapacity that had built up throughout the international economic system during the years of the US boom in the 1990s. The depth of the problem is revealed by the fact that only 2.5 per cent of the global infrastructure in telecommunications is currently utilized. Overcapacity has resulted in investment moving from the real economy to the

speculative economy, to the financial sector, a development that was one of the factors behind the stock market bubble, especially in the technology sector. Enormous surplus capacity continues as a global condition and thus the continuing absence of profitability. The global recession is, as a result, deepening. But precisely because severe imbalances had built up for so long in the global economy, this recession is likely to be prolonged, it is likely to be synchronized among the major centers of capitalism, and there is a great chance that it could turn into something worse, like a global depression.

## **CRISIS OF LIBERAL DEMOCRACY**

Running alongside and intersecting with these two crises is a crisis of liberal democracy, which is the typical mode of governance of capitalist economic regimes. In places such as the Philippines and Pakistan, popular disillusion with elite democracies fuelled by money politics is rife among the lower classes and even the middle class, being in the case of the Pakistan one of the factors that allowed General Musharraf to seize political power.

Clearly, from Africa to Latin America, the phenomenon of the spread of Washington-or Westminster-type formal democracies that American political scientist Samuel P. Huntington called the “third wave of democratization” is over. But the crisis of legitimacy is not limited to the South. In the United States, there is widespread popular perception that, owing to massive corporate influence over the two political parties, plutocracy is now the US system of governance, not democracy. Mass disaffection and cynicism have been compounded by the feeling of a vast sector of the electorate that President George W. Bush stole the 2002 elections and, thanks to current revelations about his questionable ethics as a businessman, that he serves mainly as the president of Wall Street rather than of the country. Despite Washington’s current posturing about punishing corporate fraud, the spectacular developments in Wall Street are perceived as a moral collapse in which both economic and political elites are implicated. In Europe, there is also much concern over corporate control of political party finances, but even more threatening is the widespread sense that power has been hijacked from elected national parliaments by unelected, unaccountable Eurobodies such as the European Commission. Electoral revolts like the Le Pen and Pim Fortuyn phenomena in France and the Netherlands respectively are manifestations of deep alienation with technocratic democracy.

## **OVEREXTENSION**

The fourth crisis might not be immediately discernible, but it is operative as well. The recent expansion of US military influence into Afghanistan, the Philippines, Central Asia and South Asia may communicate strength. Yet, despite all this movement, the United States has not been able to consolidate victory anywhere, certainly not in Afghanistan, where anarchy, and not a stable pro-US regime, reigns. It is arguable that because of the massive disaffection they have created throughout the Muslim world, the US’s politico-military moves, including its pro-Israel policies, have worsened rather than improved the US strategic situation in the Middle East, South Asia and Southeast Asia. Meanwhile, even as Washington is obsessed with terrorism in the Middle East, political rebellions against neo-liberalism are shaking its Latin American backyard.

## **RISE OF THE ANTI-CORPORATE GLOBALIZATION MOVEMENT**

Intersecting crises are unfolding even as the movement against anti-corporate globalization is gaining strength. During the 1990s resistance to neo-liberalism was widespread throughout the South and the North. In few places, however, were they able to become a sufficiently critical mass at a national level to decisively reverse neo-liberal policies. But although they were not a critical mass nationally, they could become a critical mass globally when they came together at certain crucial events. This was what happened in Seattle in December 1999, when massive mobilizations

contributed to bringing down the Third Ministerial of the WTO. The other global confrontations of 2000, from Washington to Chiang Mai to Prague, also shook the confidence of the establishment. When the World Social Forum was launched in Porto Alegre in January 2001, with 12,000 people in attendance, the ideological challenge became a very real threat to global capitalism.

Today, we may be witnessing a second moment in the trajectory of the resistance as many anti-neo-liberal movements become a critical mass impacting on politics at the national level. This appears to be the case in Latin America, where espousal of neo-liberal economic policies is now a surefire path to electoral disaster and progressive movements have either won electoral power or are on the cusp of power in Venezuela, Brazil, and Bolivia.

## **COMPETING WITH THE RIGHT**

Nevertheless, the crisis does not guarantee ultimate ascendancy for the forces against neo-liberalism on the left. For the right is also on the move, taking advantage of the crisis of the neo-liberal establishment to concoct ideological mixtures of reaction and populism that stoke the deepest fears of the masses. Note, for instance, the mass resonance of the fascist Le Pen's slogan "Socially I am left, economically I am right, and nationally I am France." With neo-liberal ideology in retreat, the competition for the disenchanted masses is shaping up as an apocalyptic contest between the left and the right, though at this point one cannot definitively discount an ideological comeback by the global establishment.

## **COMING: THE BATTLE OF CANCUN**

In short, the immediate future promises a very fluid situation. In this regard, the Fifth Ministerial of the World Trade Organization (WTO) in Cancun, Mexico, in September 2003, is shaping up as a confrontation between the old order and its challengers on the left. Because of its decision-making structure, which is based on "consensus" among all member-countries, the WTO is the weak link of the global capitalist system, much as Stalingrad was the weak link in German lines during the Second World War. For the establishment, the aim is to launch another ambitious round of trade liberalization in Cancun that would rival the Uruguay Round. For the opponents, the aim is to reverse globalization by turning Cancun into the Stalingrad of the globalist project.

In the space of just a decade, global capitalism has passed from triumphalist celebration of the passing of the socialist states of Eastern Europe to a fundamental loss of confidence. It is entering a "time of troubles" much like the second and third decades of the 20<sup>th</sup> century. Its successful emergence from the developing crisis is by no means assured.

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