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What Europe can learn from the South

by Nicolas Pons-Vignon

After having caused a massive increase in inequality throughout the world, which led to the build-up of politely called "imbalances" and which fireballed into a financial, then economic, crisis, neoliberal policies are threatening to push many economies into a precipice with unknown political and social consequences. Yet, the European countries at the heart of this turmoil are showing little sign of resistance; the growing social movements opposing bailout and austerity have thus far failed to influence dominant parties and national policies. Instead, it appears that the very same policy mix of austerity and privatization which shattered African, Latin American and ex-communist countries in the 1980s and '90s is being inflicted on Europe. The irony lies in the fact that most economists now agree that these policies have indeed had disastrous consequences. The belief that what led to a growth collapse and social disaster elsewhere will have positive consequences in Europe is an illusion which is sustained by the mainstream media and by powerful interest groups. Lambert (2012) thus highlights the French media's predilection for consulting a coterie of economists who are closely linked to (or rather remunerated by) financial interests, and who invariably play down the responsibility of banks in the crisis and the usefulness of taxing finance rather than, say, ordinary citizens through increased value added taxes. In Italy, the "structural reforms" supposedly aimed at boosting growth focus on accelerating flexibilization of the labour market, in a context already marked by very high levels of precariousness.

While Keynesians are nostalgic of the voluntary reaction to the 1930s' crisis by US President Franklin D. Roosevelt, who leveraged state intervention to support employment and expand the welfare state, few such visionaries seem to be emerging today. Most traditional left-wing parties are conspicuously shying away from any meaningful engagement with the relationship between neoliberal policies, finance and the crisis, and implicitly accept the TINA (there is no alternative) position advocated by bank-friendly economists. The reality of the balance of power has been brutally exposed by the imposition (without elections) in Italy and Greece of new governments who were willing to implement the very same policies, in spite of widespread popular opposition. The recent decision by the coalition government in the UK to cut taxes for multinational corporations further reveals, as a journalist put it, that Britain's tax rules are "now written for and by multinationals".[1]

The explanation for this remarkably subdued behaviour is indeed that policy seems to be driven by higher interests than the well-being of the majority of citizens. If the balance of forces in Europe and North America is firmly tilted in favour of neoliberalism and its main driver, finance,[2] there is no shortage of popular opposition. In Europe, anger is mounting at the management of the crisis and at the undemocratic changes of government which have been staged in Mediterranean Europe, while in the United States trade unions and civil society are mobilizing again after a long period of passivity. Among would-be EU Member States, there is growing scepticism linked to the realization that integration involves a subjection of national policies to a neoliberal order. Confronting the power of finance is more urgent than ever, and will require further mobilization and alliance of progressive forces, with trade unions at the forefront.

It is indeed impossible to understand the resilience of neoliberalism – namely the resilience of policies which support the interests of finance capital at the expense of workers – without understanding the growing role and influence of finance since the 1980s. Of course, the centrality of financial interests in driving policies which undermine workers has been well documented historically, perhaps most eloquently by Polanyi in the first chapter of *The great transformation* (1944). But financialization, which "summarizes a broad range of phenomena including the globalization of financial markets, the shareholder value revolution and the rise of incomes from financial investment" (Stockhammer, 2004, p. 720), has profoundly affected capitalism since the 1970s. This is particularly evident in the way in which non-financial companies have started to operate like financial institutions, seeing production and employment as mere fixed costs which ought to be minimized or even eliminated. By failing to acknowledge any problem with finance, and sticking to the now-ailing "efficient markets hypothesis", ne-

Corporate Strategy and Industrial Development (CSID)
University of the Witwatersrand

Nicolas Pons-Vignon
E-mail: Nicolas.Pons-Vignon@wits.ac.za

oclassical economics has confirmed its inability to account for economic realities convincingly.[3] If not masochism, what can explain the insistence of Western governments to press ahead with policies whose consequences will be harmful, and whose theoretical foundation has been discredited? Most crucially – and painfully – how can we understand the absence of a serious left-wing alternative in Europe and the United States?

To find answers, and maybe solutions, progressive movements across the world have much to gain by taking seriously what is happening in the South. This is not to suggest that a perfect model can be found, or that countries outside of Europe and North America have not fallen prey to financialization. On the contrary – countries in the South have often been the main victims of the damages which financialized capitalism can inflict. But many of them have developed innovative ways to respond to it, while Europe seems to be at a loss. One of the world's most successful progressive parties, Brazil's Partido dos Trabalhadores (PT – workers' party), has put it in unambiguous terms: "the left in European countries, which has had such an influence on the left worldwide since the 19th century, has not managed to produce an adequate response to the crisis and appears to be capitulating to the forces of neoliberalism" (quoted in Halimi, 2011).

I identify four main areas where countries and progressive movements of the South are ahead of their counterparts in the North: debt audits, industrial policy, wage and social policies, and labour mobilizations. The broader context of these four elements is the recognition that the economic system is deeply unfair, with pockets of wealth (the 1 per cent) subsidized through exploitation and deprivation. In other words, the marginal adjustments proposed by many policy-makers in the North will not be enough to achieve change that could benefit the 99 per cent.

Debt audits originate in Ecuador, where they have been successfully used by President Correa's government to expose the origins of the country's debt. This made it possible to highlight that much of it was odious debt, which was then repudiated. Despite initial fears and agitation by financial interests that this would lead to economic collapse and make accessing finance impossible, the process has in fact been extremely positive. It has inspired many progressive movements in Europe, from Ireland to Greece, who are pushing for it to be emulated. Debt audits, which have been called for by many progressive development economists to expose what lies behind Africa's debt, are a critical way to unpack the legitimacy of debt and bring finance's power to (democratic) account. That a small Latin American country had the courage of doing it should serve as an inspiration to all.

Industrial policy has been at the heart of the successful development of several countries in the South, in particular in East Asia, a phenomenon which the late Alice Amsden referred to as the rise of "the rest" (2001). The realization that industrialization is key to development and that it can generate sustainable growth has remained central to policymaking in a few highly successful countries such as China and Brazil. In the meantime, following the now discredited Washington Consensus, others were de-industrializing, in the North as well as in the South, under the pressure of financial interests for whom the long-term and uncertain prospects of productive investment are off-putting. Industrial policy is now making a conspicuous comeback on the agenda in many countries.[4] Developing countries which have successfully pursued industrial policy have all managed to curtail the power of finance to ensure it serves productive investment. China is a case in point, which shows that financialization and the associated full liberalization of bank activities are neither inevitable nor useful for development. Constraining financial institutions to focus on productive or socially useful investment is not an intolerable curtailment of the freedom to invest; it is probably what all countries should do.

While calls for a wage-led recovery are being conspicuously ignored by most policy-makers, Brazil has demonstrated that a policy supporting wages can support economic growth and result in a massive reduction in poverty. Calls for decent job creation rather than support for exploitative micro-enterprises as a means of reducing poverty are mounting across developing countries, signalling a delusion with microfinance and with neoliberal policies more generally. This should incite trade unions across the world to scale up their efforts at organizing casual workers and building solidarity: confronting finance also entails asserting that work is not a cost, because labour is not a commodity, and that unions are not a distortion of the labour market but can articulate the voice of the majority. In a similar vein, the narrow framework in which social policies have been conceived under the influence of neoliberalism has to be contested vigorously. This can only start with a struggle to decommodify the public services which have been transformed into profitable operations for private enterprises, from health to education, food and medical drugs. A growing body of research

Nicolas Pons-Vignon
E-mail: Nicolas.Pons-Vignon@wits.ac.za

points to the close relationship between financialization (and commodity derivatives' trading in particular) and food price inflation, which is hitting poor people across the world (Newman, 2009). Here again, numerous initiatives by developing countries are inspiring, starting with the contestation of the international intellectual property rights regime for pharmaceuticals by countries such as India and South Africa. This has allowed them to produce or buy essential drugs (for HIV/AIDS in particular) at a price compatible with the massive roll-out needed to avoid thousands of deaths. Further, radical attempts to provide the poor with support are either being tested or debated across the South, with the Indian employment guarantee scheme and the proposal for a universal income at the fore. These are credible alternatives which would address the social and economic consequences of neoliberalism and empower progressive forces.

Last, and most importantly, it is important to acknowledge the vital contribution to progressive change which unions in the South have made in the past 30 years. In South Africa, unions mobilized successfully against apartheid, while their Republic of Korea counterparts played a decisive role in ending General Park's dictatorial regime. In both countries, as well as in Brazil, neoliberalism has weakened the progressive project of trade unions – but it is far from having defeated it. As Webster pointed out (see (http://tinyurl.com/75txhww)), "A new labour paradigm has emerged in the Global South that does not see decent work as an obstacle or an add-on to development, but is instead attempting to integrate decent work into an alternative developmental path". Indeed, organized labour is at the heart of many of the promising directions discussed above – just as European labour has been at the forefront of social progress throughout much of the 20th century. In many countries of the South, trade union members have developed a radical political perspective which has great potential for challenging the status quo and advancing progressive alternatives. It is perhaps from this energy that a political confrontation with finance can find the strength needed to succeed.

Whether the debasement of the left in Europe and North America is irreversible or not, looking South for inspiration looks like a better idea every day for workers and trade unions. This will require ending a habit of considering that knowledge should flow south, towards less "developed" partners, a bias also found in many developing countries where former colonial powers are sometimes seen as idealized points of reference. Whether it is in relation to worker mobilization or social and economic policies, there are many experiences coming from the South which can provide inspiration to those opposing the power of finance. Successful policies and lively debates which explore and experiment with progressive alternatives abound, and the Global Labour Column sets itself the ambitious target to document them and support the labour movement in defending the interests of the 99 per cent.

1 (http://www.guardian.co.uk/commentisfree/2012/mar/19/britains-tax-rules-written-by-multinationals)

2 On the relationship between neoliberalism and financialization, see Fine (2011).

3 Perhaps the best illustration of this is the astonishing exchange between the British Queen and a group of economists whom she had called to account about their failure to predict the crisis (http://www.ft.com/intl/cms/3e3b6ca8-7a08-11de-b86f-00144feabdc0.pdf).

4 Recent World Bank research has departed radically from previous positions to articulate cautious support for industrial policy, associated with its chief economist Justin Lin and his "new structural economics" (2012). For a critical discussion of the World Bank's approach to industrial policy, both old and new, see Singh (2011).

Nicolas Pons-Vignon is the editor of the Global Labour Column and a Senior Researcher with the Corporate Strategy and Industrial Development (CSID) research programme, University of Witwatersrand, South Africa.

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University of the Witwatersrand

Nicolas Pons-Vignon
E-mail: Nicolas.Pons-Vignon@wits.ac.za