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New Economic Approaches for a Coherent Post-2015 Agenda

Global Perestroika

by

Vijay Prashad

Professor of International Studies, Trinity College, Hartford

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For R. Krishnamurti, chef de cabinet to Raul Prebisch, UNCTAD.

I.

UN reports make for dreary reading. UNHCR and UNESCO accounts from Syria colour in the misery of that enduring conflict. Updates from the peacekeepers tell us that no political solution is near the horizon of the Great Lakes of Africa. The ILO documents confound us with percentages of structural unemployment, and its attendant social unrest. The FAO frightens us with data on hunger and food insecurity. Bleak accounts from UN Women tell us that violence against women seems unabated. The ILO's *Ending Child Labour in Domestic Work* report from a fortnight ago shows that 15.5 million children under 18 work as domestic labourers. Of them, ten million work in "conditions tantamount to slavery." These are mainly young girls (73 per cent), who have forfeited their childhood and their education.

Good news rarely comes from the UN – the small stories of individuals who ascend from desperate situations are a sliver of silver in a cloud ever darkened by the torments put on them by forces that the UN has not been allowed to identify. The UN can document what is wrong, offer up its texts of misery – but it seems incapable of being able to provide a coherent account of why things are in bad shape.

Of course there are some narratives that do frame the conclusions of these reports, but these are typically intonations of the Neo-liberal sutra – less regulation against Money, more freedom to the Market. Regardless of the prognosis of the analyst, the prescription is always the same – "reform" and "liberalisation." Thirty years into this orthodox medication, it has become clear to anyone with an eye to the social costs of these policies that they are bitter and wrong-headed. Giving "markets" the run of things is tantamount to allowing congealed money power the right to do with the world as it pleases. This was well-known to Adam Smith in the 18th century, to Karl Marx in the 19th century and to John Maynard Keynes in the 20th century. In our time, such critical assessments are hardly ever voiced. They have begun to sound like nails on a chalkboard to those who hoped that the exorcism of Keynesianism from the UN's corridors in the 1970s had removed such heresy. But reality is stubborn.

Tenacious reality confounded the IMF representative to Nigeria, W. Scott Rogers who could not fathom what he called a "conundrum": high GDP growth for Nigeria at 7.2 per cent alongside 62 per cent of Nigerians below the poverty line. "Income per capita has gone up," he noted in Abuja on May 21, "yet poverty isn't improving and we're having a difficult time understanding why that is or how that could be." In the insular world of the IMF the elementary critiques of neo-liberal pathways of GDP growth are not digested. If they read these critiques, they would recognize that the kind of policies that propelled Nigerian growth are precisely what generate high rates of inequality, and so despite higher per capita income poverty rates remain stable or rise. Growth is not a neutral process. A certain kind of growth trajectory might not reduce poverty, but indeed increase it. The IMF view of the world, which has not helped Rogers understand what lies before him, is the consensus approach – and they have policy implications: namely, that liberalisation and structural adjustment are the motor to attract Foreign Direct Investment, and that it is this FDI that is destined to generate GDP growth, and miraculously, lift millions out of poverty. This is the religion of our time.

But the data discomforts the celebrations. The pond of the middle-class increases a little, and in vast demographic containers such as China and India these modest additions are greatly magnified by their social power and their ability to corral the media and the cityscape to their image. India is not its middle class, a numerical minority – only 4. 6 per cent of the Indian households own all of the following – a television, a telephone, a computer and a car. That's a pretty small slice of the population, with pretty modest modern appliances.

The honest reality is in poverty. Governments play around with poverty statistics: last year the Indian government, for instance, reported that 29.8 per cent of the Indian population – 360 million of 1.21 billion – live under the poverty line. That's a drop from 37.2 per cent (2004-05), a result of its policies the government suggests. Others note that this might have a great deal to the benchmarks chosen (the government fixed the urban poverty line at Rs. 28.65, while the Planning Commission had recommended Rs. 32). A glance at the UNDP's *Human Development Report* (2010) called *The Real Wealth of Nations* shows that other indices point out that 55 per cent of the Indian population lives in poverty. An official government commission claimed that the more accurate number is 77 per cent below the poverty line. That UNDP study offered a new measurement to study poverty. It developed a Multidimensional Poverty Index which took into consideration not just earning power but significantly "poor health and nutrition, low education and skills, inadequate livelihoods, bad housing conditions, social exclusion and lack of participation." Based on this much more accurate assessment of deprivation, the UNDP found that eight of India's twenty-eight states house 421 million multi-dimensionally poor people, more than the 410 million people equally poor who lives in the twenty six poorest countries in Africa.

The Indian example comes only because of my own origins. India is not exemplary here. One could have looked equally at China, or Nigeria.

If the South has its problems, there can be no cat's smile on the face of the North. The entrails of the present reveal that Northern power has dissipated. Austerity regimes will tear into its social fabric, lead to endemic employment problems and at the same time enrich the financial class who are relatively immune to the downturn. It will be the misery of the gated community that greets the financiers, who would have to hide behind high walls and in skyscrapers from the social consequences of their manipulations. In global forums, this weakened Northern power can be measured by the less diffident attitude of the South. It is what has propelled the BRICS.

II.

When Indian Prime Minister Manmohan Singh was the Secretary General of the South Commission, he was detained by two facts: that the catastrophic debt crisis had hampered the ability of the South to create any economic growth, and that the intellectual property regime pushed by the North had shut off the South from any scientific and technological improvements. The Global South seemed fated for millennia of poverty and wretchedness. The problem before the South was not simply its internal shortcomings. It was, Singh argued, the rules set largely by the North on its behalf that constrained the ability of the South to breathe.

At a press conference in Geneva on 18 July 1988, Singh concentrated his attention at the appalling debt overhang that shrouded the Third World. New ways to deal with this debt crisis had to be imagined. "This is the harsh reality," he said, "and unless you organize publically, unless the collective views of the Third World can be articulated in meaningful dialogue, no amount of mere technical solutions will solve the problem of debt." Taking the point further, Secretary General Singh said, "What we in the Third World need is global perestroika, restructuring of international economic relations which would take into account the legitimate aspirations of the four-fifths of humanity that lives in the Third World, for better life for their peoples."

The use of the term "perestroika" was cheeky. It had become well known the previous year when Mikhail Gorbachev had used it to refer to the restructuring of the USSR. Singh used it to refer to the need for the reformation of global institutions, such as the IMF, the World Bank and the United Nations Security Council. But in 1988 there was little hope that the views of the South would be taken seriously. Indeed, "reform" of the UN had been on the agenda of the North-South dialogue since the late 1960s, but no progress had been made. The US government, as the spear of the North, had pointed out that UN reform was not to be permitted – and indeed that the South must never control the UN budgetary process. If it this were permitted, the US Mission at the UN noted in 1973, the UN would fall prey to "irresponsible manipulation" and to prevent it the US would "withhold contribution" to the UN. It is a straight line from this 1973 assessment to the 2010 remark from US Ambassador to France Stapleton to former French PM Michel Rocard, "We need a vehicle where we can find solutions for these challenges [the growth of India and China] – so when these monsters arrive in 10 years, we will be able to deal with them." The North has set an agenda *against* "global perestroika."

The tide shifted in 2007-08 as the credit crunch sent the managers of the North in search of the surpluses of the South. Hastily they convened the G-20, which comprised their core executive, the G-8, and the large states of the world that had not been so badly mauled by the financial mayhem. Over the course of 2009 and 2010, the G-20 met four times, and at each of these meetings all kinds of promises were made on the terrain of global perestroika – that the G-8 would be wound up and replaced by the G-20, that voting shares in the IMF and World Bank would be increased for the South, and that leadership over the world's economy and politics would not be monopolized by the G-8. Surplus capital from China and India went into various kinds of stabilization funds.

As the lights began to come back at the stock markets all promises of perestroika vanished. The grave worries about "irresponsible manipulation" returned, with the North eager to insulate its banking sector from Southern reformers. There was to be no Structural Adjustment in the North. Its representatives at the UNCTAD conference in 2012 tried to scuttle any investigation of the financial shenanigans of Northern banks in the credit crisis. At the WTO the stalled negotiations on trade rules could not move forward because of Northern obduracy on its agricultural subsidy regime and because of Southern reticence to adopt the strict intellectual property framework favoured by the North. In both the UNCTAD and the WTO the North has tried to make its issues universal concerns, unwilling to consider the sentiments of the South. It was as if 2007 had not happened.

III.

The BRICS bloc is a demographic powerhouse – it constitutes 40 percent of the world's population and sprawls over 25 percent of the world's landmass. Of the total world GDP, the BRICS produces a quarter. The five countries in the bloc are divided by culture – language, religion, and social mores. They are also differentiated by their economic trajectories – some of the states are governed by the logic of export-oriented industrial production, while others are reliant upon raw material export.

Such differences, however, do not reduce the political value of the bloc. In conventional terms, these are not minor states – three of the five are declared nuclear powers, two hold permanent seats on the UN Security Council and two others are aspirants for such seats. They have created, thus far, a multilateral platform. Their ambition is to use their combined weight as a counter-balance to the habit of Northern primacy and as a forum to raise issues and analyses that are not able to rise to the surface. Assertion in the realm of intractable political arenas (even the Palestine-Israel conflict) and into the debate on financial reform as well as development strategy marks the BRICS attempt to make its presence felt on the world stage as a political platform. But this level of assertion is constrained by hesitancy amongst the leadership of the states of the BRICS – they are uneasy with any challenge to the North. They prefer to operate passively, building trade relations amongst their countries, and with the potential BRICS Bank, forging a development program for the South that will rotate around their own growth agendas. There is no frontal challenge to Northern institutional hegemony or to the neo-liberal policy framework. BRICS, as of now, is a *conservative* attempt by the Southern powerhouses to earn themselves what they see as their rightful place on the world stage.

The BRICS platform is limited in several ways:

1. The domestic policies of the BRICS states follows the general tenor of what one might consider *Neoliberalism with Southern Characteristics* – with sales of commodities and low wages to workers alongside the recycled surplus turned

over as credit to the North as the livelihood of its own citizens remains flat. Rather than turn over the social wealth in transfer payments or in the creation of a more robust social wage, the countries seem to follow World Bank president Robert Zoellick's advice to turn over its surplus to "help the global economy recover from the crisis." There is something obscene about making the "locomotives from the South" pull the wagons of the North (particularly given the North's own reticence to allow for a new surplus recycling mechanism during the debt crisis of the 1980s).

2. The BRICS alliance has not been able to create a new *institutional* foundation for its emergent authority. It continues to plead for a more democratic United Nations, and for more democracy at the IMF and the World Bank. These pleas have made little headway.

3. The BRICS formation has not endorsed an *ideological* alternative to neoliberalism. There are many proposals for the creation of a more sustainable economic order, but these are left to the margins. The Rio formula for "separate and differential treatment" allows the South to make demands for concessions from universal polices that the North refuses to endorse (not the least of which is on climate change). This is a defensive stand. There is no positive alternative that has been taken forward as yet. It might emerge out of the convulsions from below, where there is no appetite for tinkering with a system that most people see as fundamentally broken.

4. Finally, the BRICS project has no ability to sequester the *military* dominance of the United States and NATO. When the UN votes to allow "members states to use all necessary measures," as it did in Resolution 1973 on Libya, it essentially gives carte blanche to the Atlantic world to act with military force. There are no regional alternatives that have the capacity to operate. The force projection of the United States remains planetary – with bases on every continent and with the ability of the US to strike almost anywhere. Regional mechanisms for peace and conflict-resolution are weakened by this global presence of NATO and the U. S. Overwhelming military power translates into political power.

There is no alternative to the conundrum of the IMF's Rogers. There is no public debate on a new horizon, on something that would be an accurate reflection of where we are in the world rather than a religious adherence to first principles of free markets and unfettered capital. A defensiveness circumscribes the emergent South, and an anarchic politics governs the streets of the North, whether in Athens or in New York City. What shall be the policy space of the alternative?

IV.

The optimistic Human Development Report of 2013 is called *The Rise of the South: Human Progress in a Diverse World*. The authors of this report note that it would be a good idea to "establish a new South Commission to bring a fresh vision of how the South's diversity can be a force for solidarity." If such a Commission were to be established, and if it were to have the full backing of the BRICS – as it should – what would it propose? What are the principles that would anchor it? None are currently clearly outlined, and no common principles – apart from multilateralism and regionalism – form a consensus amongst the BRICS.

Here are some principles toward an alternative:

a. Better ideas do not by themselves change the world. The suffocation of a certain balance of social forces precludes alternative ideas from being taken seriously. There are hundreds of designs in engineering labs for smoke-less chimneys and water-less toilets, but their existence has not meant their mass usage. It will require a shift in social power to allow new ideas and new technologies to become legible in our time. Absent such a change, an "alternative" simply means solutions of a practical nature that are not capable of being fully embraced, and are therefore penalized for their failure.

b. What is possible within the current dispensation is social welfare. This is not a systematic alternative, but it is nothing to be scoffed at. When the social crisis is acute, as it is now, any form of relief is to be welcomed. Programmes to hold down the price of foodstuffs or to provide unemployment benefits or government employment schemes are necessary, but they should not be confused for an alternative path.

c. Does this mean that alternatives are impossible? Far from it. Popular struggles and innovative social incubators have given us a series of policy ideas that languish in the bin of Yesterday or else of Idealism. These ideas often emerge from the energy of mass social movements – but they are given short shrift by a media that does not speak its language.

    i. <u>Universal Access</u>. The idea of basic needs came out of the UN and then was impounded by the neo-liberal framework of the Millennium Development Goals. What was lost in the MDG's accountancy was the principle of universal access by every person to certain basic needs – food, healthcare, employment, social security and so on. The core demand of the basic needs campaign, legible to the majority of the world, is that access must be institutionalized. Those in authority cannot discount these demands. What they do is to accept them in principle and then hollow them out in implementation. They say that universal access is too expensive. Well, it is certainly expensive, but it is not beyond our means. Given the way the social surplus is sequestered to the very few and to wars and security, such demands are certainly impractical. But that is a political problem, not an economic one. Because it is a political problem, two elements are necessary – the growth of political movements to champion and defend universal access, and the role of UN agencies to monitor such access.

ii. Economic Power. When economics became a technical science, it abjured considerations of economic power. It seems an embarrassment to talk about land reforms and trade unions. Control over land is crucial in Africa and Asia, where farmers continue to battle against all odds to maintain their sovereignty over their livelihood. Alongside this lingering and urgent demand for control over land is that of control over industrial processes. The global commodity chain has annulled the policy of nationalization – rendering mute the ability of a State to take hold of its industrial plant. This means that those whose tentacles stretch across continents exercise power over industry. These multi-national corporations had once been studied by the UN at the Centre for Transnational Corporations, set up in 1974, but Northern power closed down that office in 1993. It is hard for workers to build their own power against these firms (leading to the catastrophic "accidents" as in Bangladesh), and it is hard for the UN to even study the way in which corporate power operates outside any democratic accountability. If the UN cannot take hold of multi-national companies, it certainly has no regulatory authority over money. Seemingly mysterious social forces, hidden behind ratings agencies and ideas such as "confidence of the markets," dampen the ability of states to widen their policy framework – if novel policy decisions are taken, Money goes on strike. The price of borrowing is a form of power that is rarely understood in public, and the idea that economics is a kind of undecipherable hieroglyphic simply reinforces the undemocratic way in which Money commands economic activity.

iii. Social Wage. Any investigation of an alternative, in an age of ecological crisis and structural unemployment, has to take seriously the forgotten idea of the social wage. Better public goods, forged with the best of today's science, would not only reduce the privatized burdens on individuals and families, but it would enable societies to create socio-ecological solutions to private carbon-heavy problems – rather than private cars, with high insurance payments, more public transport on light rail; rather than private healthcare, more high-quality public medicine. These are elementary policies burdened by the calculated failures of the public sector in an earlier era, and overshadowed by the highly subsidized and malignant private sector of our times. Absent a discussion about the creation of public goods, it is doubtful if any solution to the climate catastrophe can be envisaged.

This is the framework of an alternative. These are the principles that should anchor the new thinking if there is to be a second South Commission, and certainly it should be the formulation that should be taken seriously in the newly-led WTO and the UNCTAD. It is not enough to bemoan the time of the present, that of the possible. What is necessary is to build the policy imagination for the time of the impossible, for the world that is being born before our eyes.