CHAPTER 3
THE NEW ANTI-CAPITALIST MOVEMENT: MONEY AND GLOBAL CIVIL SOCIETY
Meghnad Desai and Yahia Said

Washington DC, Prague, Seattle, Davos, and wherever ‘the money men’ meet have been the foci of protest which have mobilised a broad coalition of groups, activists, and lay individuals. While they may differ on many things, they agree on one. They consider many of the recent developments in globalisation as harmful, disruptive of their communities, and destructive in the long run. Such protests have taken many by surprise both in their scope and in their intensity, and have contributed to the increased interest in civil society in recent years. The protesters rarely attack globalisation as such, targeting instead corporate globalisation, global capitalism, the neo-liberal order, multinational companies, international financial institutions (IFIs), and trade agreements. Whatever the target, however, these protests are often branded as anti-globalisation.

The counter-argument is usually a defence of globalisation as helpful to the world at large in enhancing output growth by expanding trade, helping the developing countries industrialise, and affording an opportunity for the first time in human history to eradicate world poverty.

In a framework where globalisation is understood as a symbiotic relationship between global capitalism and global civil society, this chapter analyses the interactions between the two. These interactions make up what we define as global civil society irrespective of whether or not it includes the market (see Chapter 2 for different definitions of global civil society).

Given the breadth of its subject, this chapter focuses on money and finance as a proxy for global capitalism. This simplification is permissible for three reasons:

1. Finance is the dominant force in global capitalism. Financial flows far exceed trade flows and play an ever-growing role in every market transaction. Any sizeable trade today will almost certainly include bank credits on both sides, hedges against exchange rates and commodity price fluctuations in the form of futures and derivatives, and other forms of insurance. The growth and spread of the financial services industry and the unprecedented liberalisation of financial markets can be explained by the investment needs of the new industrial paradigm. The shift to information and communication technologies requires the mobilisation of vast financial resources, and global finance is the fastest way to achieve that. Similar financial booms occurred during previous technological revolutions (Perez 2000).

2. The financial services industry is among the main promoters of global capitalism, pushing for the opening of new markets and ever deeper liberalisation. The financial services industry is more dependent than any other on the low inflation advocated by the neo-liberal orthodoxy. Currently, the industry is pushing hard for the expansion of the WTO into the area of finance and investment through the General Agreement on Trade in Services (GATS). This will significantly expand the organisation, giving it jurisdiction over two-thirds of world GDP and bringing it into areas that affect every aspect of human life.

3. As we explain below, the financial services industry has traditionally been singled out for moral condemnation. So it is today, when it represents an extreme version of global capitalism. Financial juggernauts several times larger than many countries, fat-cat investment bankers and IMF executives playing God, astronomical profits on both the upside and the downside of the economic cycle, and bizarre financial products seemingly useless for anything other than the enrichment of those who invent them make finance an inevitable and often convenient target for those seeking to confront global capitalism.

Money and Morality

Our analysis deals with the ways in which global civil society has responded to the many activities of the financial sector—domestic and international, private and public—as they have affected the lives of the people. Finance is organised, complicated, and pervasive. It comprises bank loans...
and debts, bonds and share markets, central bank and IMF regulation, and new innovative services such as futures and derivatives. It operates around the globe for 24 hours a day from places like the City of London and New York’s Wall Street.

Financial developments have been at the forefront of globalisation. But even so, the core of financial market activities is age-old: buying and selling, borrowing and lending. The world has been familiar with money, credit, and exchange for millennia. There are deeply ingrained moral attitudes about money, exchange, and credit which shape the response of global civil society to recent developments.

Money has long been regarded as morally questionable. It is thought to be barren, which in turn calls into question the morality of charging interest. Money is often alleged to break up established communities, leaving atomised rootless individuation in its wake. Money is said to devalue relationships by reducing them to a financial calculus; money-using societies are contrasted with ‘primitive’ or pre-modern societies, which are said to embody more genuine emotional relationships since they are based on barter or gifts rather than monetary exchange. The anti-money critique leads to a utopian vision in which monetary exchange is superseded and relations based on ‘real’ values are re-established. Against this is the view that money is an enabling, liberating, and helpful device which oils the wheels of commerce and brings prosperity all round.

There have always been religious and philosophical objections to monetary transactions. The ideal is the self-sufficient household, or even the self-sufficient community, based on barter. Aristotle believed that money should be limited to restoring self-sufficiency. ‘Interchange of this kind is not contrary to nature and is not a form of moneymaking: it keeps to its original purpose—to re-establish nature’s own equilibrium of self-sufficiency.’ The objection is thus more to profiting from the use of money than from money in itself. If money is barren, it should not be made to yield a return. This logic is at the heart of the medieval Christian ban on usury as well as the Koranic injunction against charging interest on credit.

It was in the eighteenth century with Bernard Mandeville, David Hume, and Adam Smith that a new understanding of money emerged. Smith reversed the story about the naturalness of self-sufficiency by asserting that mankind had a propensity to truck, barter and exchange. It was this propensity, motivated by self-interest, that brought happiness. Smith was aggressively modernist and did not concede anything to the earlier moral discourse about the immorality of exchange. He argued that the ‘system of natural liberty’ guaranteed prosperity not only to some but to all: ‘the Kings of primitive tribes could not have gained such wealth’ (Smith in Desai 2001 forthcoming).

Against Smith, Marx argued that whereas in previous modes of production the purpose of money was to facilitate the exchange of commodities (C-M-C), under capitalism its purpose was to increase the quantity of capital (M-C-M).

The sociologist George Simmel saw money ‘as an instrument of freedom, and a condition for the extension of individual personality and the expansion of the circle of trust; but, at the same time, as a threat to the moral order’ (Parry and Bloch 1989: 3). That threat came from the transition that money facilitated from Gemeinschaft (community) to Gesellschaft (association) (Tönnies 1955), encouraging rational calculation and abstract relationships as opposed to the primacy of feelings and emotion in traditional society.

Marcel Mauss, the French anthropologist, argued that money not only dissolves bonds of community but also allows for a separation between persons and things (Mauss 1996). This is the one aspect of money which has been crucial in globalisation. According to Simmel:

Money permits possession at a distance. Only in the form of money can profits be easily transferred from one place to another, allowing for a spatial separation between the owner and his property which ‘enables his property to be managed exclusively according to objective demands while it gives its owner a chance of leading his life independently of his possessions’ (quoted in Parry and Bloch 1989: 5).

The change from an Aristotelian to a Smithian view of money was not accidental. For about a thousand years before the Iberian maritime expansion of 1490s which inaugurated the modern world system, Europe was starved of precious metals. It ran an adverse balance of trade with Asia, mainly India and China, and exported gold and silver to pay for imports from Asia. Money, being scarce, was expensive and interest

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1 In some of this discussion we rely on Parry and Bloch (1989). The quotations from Aristotle and Simmel are taken from this source.
rates were high. But the arrival of bullion from the Iberian colonies of West Africa and South America changed that. It affected social relations, favouring Peruvian merchants at the expense of the old landed wealth. Things began to be bought and sold for money which were previously not subject to exchange. Commerce began to create more wealth than agriculture had done for millennia. Money became the gateway to modernity and capitalism.

That does not, however, mean that traditional societies did not use money or that money coincided with modernity or the frail identification of money and capitalism with the West. The use of money has been found to be very important in many traditional pre-capitalist economies. The reciprocal interdependence of non-monetary, caste-based exchange of the Hindu jajmani system—a classic example of village self-sufficiency—is a myth propagated by modern (Western) investigators who wanted to see non-monetary exchange as a feature of ‘traditional’ society. As Parry and Bloch say:

What implicitly seems to underlie the misrepresentation is a deeply entrenched notion about the transformative potential of money such that its presence becomes an index of a ‘modern’ society, with the corollary that in a ‘traditional’ one it can only be of peripheral significance. (1989: 7; see especially also Fuller 1989)

Thus we can dismiss the notions that traditional societies were based on real relationships unmediated by money, and that money, like the serpent in the Garden of Eden, arrived and corrupted the innocent. Money, and our views of its good or bad effects, are therefore never context-free. Our culture—that is, the modern, post-colonial, post-imperial world as it has come to be shaped by two centuries of industrial capitalism—is shot through and through with money and its higher form, credit. Indeed, it is impossible to imagine our economy without money, though pockets of ‘local money’ networks survive which use labour time as units of account and even means of payment. (see Box 3.6)

The major concerns we have, however, are not with such local pockets of resistance but with global finance and especially the ways in which global civil society has encountered the massive money flows which have become the distinguishing feature of globalisation. It is here that we encounter the contrasting views of money as barren or liberating, and it is these that we must consider in more detail. These two competing views of money and its usefulness represent the two extremes and the many possible positions between them.

At one extreme there is the libertarian view in which the market and all its works are benevolent and beyond criticism. An allied view is that, benevolent or not, the market is a self-organising process and its regulation self-defeating and counterproductive. There is the moderate view that the market is more or less self-regulating but needs an occasional correction. Then there is the view that the market is prone to failure and the state should be ever-ready to regulate it. This view easily slides into one which sees the market as chronically malfunctioning and hence in need of overarching control. The extreme view would be a rejection of the market and all its works and its replacement by a self-conscious democratic rule of ‘Society’ (Desai 2001). There is extremism at either end of the spectrum in which one celebrates the market while the other excoriates it. In between are nuanced objections, not to abstractions such as the ‘market’ or ‘money’ but to concentrations of economic power (transnational global corporations) or to excessive income and wealth inequalities; not against ‘market failures’ in general but environmental degradation or racial or gender discrimination; not to flows of capital as such but to the uses to which they are put and the returns obtained and to inequalities of power in international trade. The theme common to all of these is the economic or the monetary link which unites them.

Given the Manichean division at the extremes and the multiplicity of nuanced attitudes in the middle, it is necessary to distinguish the types of money flows or trading arrangements which attract different degrees of protest. Capital flows are singled out because it is the unregulated, or at least freer, flow of capital in the last 10 to 15 years which, in our view, marks out the new phase of globalisation.

**Capital Flows: Types, Impacts, Responses**

The shock of globalisation and the flows of capital it sets up are not new phenomena in world history. Trade has taken place between the different continents by sea or land for millennia. Europe and Asia especially have a continuous history of trade and gold flow, which goes back to the
The message is abundantly clear. There is no confusion, dithering, or doubt:

The IMF and the World Bank, far from bringing economic stability and reducing poverty, are destroying the environment and impoverishing people. Their calls for dialogue are just a public relations ploy and the announced reforms are cosmetic. The Bretton Woods institutions should be abolished and all Third World debt cancelled. Moreover, the entire political and economic system of global capitalism needs to be overhauled. This is to be achieved by a global movement of solidarity opposed to the neo-liberal model imposed by multinational companies, the rich countries, and their minions at the World Bank and the IMF.

This was, in short, the message delivered by Katerina Liskova one of the leaders of the Movement Against Economic Globalisation (INPEG), the coalition of NGOs and activists which organised the anti-IMF/World Bank protests in Prague in the autumn of 2000. Katerina was speaking at a panel debate organised by Czech President Vaclav Havel at Prague Castle. The 20-year-old activist delivered this defiant message flanked by World Bank President James Wolfenson and IMF Managing Director Horst Kohler. UN Human Rights Commissioner Mary Robinson was moderating this unique forum, which also included international financier and philanthropist George Soros, Jubilee 2000 founder Ann Pettifor, Filipino academic/activist Walden Bello, and South African Minister of Finance Trevor Manuel. Despite the predictability of the protesters’ message, the global financial leaders seemed dumbfounded. Wolfenson just reiterated his readiness for dialogue while Kohler insisted that he also had a heart. Indeed, World Bank and IMF representatives always appear hurt and surprised when attacked by civic activists.1

The combination of activism and elitism described above meant that the Bretton Woods institutions were, and continue to be, attacked from both right and left. Extreme neo-liberals who see no point in public intervention, especially at the international level, view the IMF and the World Bank as examples of ‘big government’. The Meltzer Report commissioned by the Republican majority in the US Congress exemplifies this approach, albeit with some moderation (IFIAC 2000). The report is critical of the proactive ‘mission creep’ at the Bretton Woods institutions and stresses the...
potential for market distortions caused by their interventions, such as the displacement of private investment and moral hazard. Attacks from the right have increased since the two institutions, especially the World Bank, embarked on a number of reforms aimed at increasing transparency and dialogue and taking policies beyond the neo-liberal scriptures. It is because of the constant attacks from the right that IMF and World Bank officials feel hurt when they are attacked from the left.

The leaders of the IMF and the World Bank believe that they have gone out of their way to accommodate activists’ concerns and point out that the institutions are constrained by the will of the member states. They blame both developed countries for holding the purse strings too tight and developing country governments for blaming the IMF and the World Bank for their own failures. Ann Pettifor partially agrees with this opinion but she would not go as far as to blame the developing countries for the debt crisis. At the Prague Castle meeting she invited activists to direct their attention to the ‘puppet masters’ in the G7 countries instead of the Bretton Woods institutions. This opinion was seconded by George Soros, who believes that things would be a lot better if developed countries adhered to their commitment to allocate 0.7 percent of their GDP to foreign aid.

The World Bank, the IMF, and other international institutions are facing similar problems of content—guiding principles, mission, goals—and form—accountability and participation, checks and balances. Solving these issues in each institution separately seems inefficient if not impossible. There is a need to explore ‘global’ solutions such as a set of common principles, parameters, guidelines, or common structures such as an Ombudsman or appeals court. International institutions may even share an ‘upper/second chamber’, like the ones proposed by the Angela Wood of the Brettonwoods Project (Wood 2001), which would better represent poor countries or non-state actors. Speaking at the Prague Castle meeting, Mary Robinson congratulated Katerina on her courage and proceeded to outline such a global solution. She calls it the ‘rights-based approach’ and it entails cross-referencing trade and global finance rules with human rights principles and environmental norms.

Such ‘global’ solutions, however, require a political momentum which does not seem available at the moment. Quite the contrary: the new unilateralist US administration is likely to attempt to curtail the Bretton Woods institutions, reducing them to extensions of US foreign policy. While Walden Bello sees no problem in a tactical alliance with the extreme right against the Bretton Woods institutions, other activists would think twice before hopping into bed with the likes of Pat Buchanan. They may also heed the somber observation raised by the South African Finance Minister Trevor Manuel, at the Prague Castle meeting. He pointed out that, without the IMF and the World Bank, only three countries in sub-Saharan Africa would have access to external financing. Time will show whether activists will be able to keep the heat on the IFIs without playing into the hands of the extreme right.
Phoenicians. The dawn of capitalism in the 1500s introduced a new element of violence in the relationships of trade and gold flow between Europe and Africa and the Americas. Massive gold flows to Europe were forcibly extracted from the older civilisations of those continents. This sorry saga has been well mapped out by Immanuel Wallerstein in his many writings (see, for example, Wallerstein 2000).

With the industrial revolution, capital and commodity flows took very different forms and had a very different impact. Now labour could be harnessed at home and abroad without coercion; surplus could be extracted from labour made more productive by new machines. Capital began to flow outwards to the periphery as much as it flowed back in the form of repatriated profits. The periphery was transformed in the process of colonisation by the flow of industrial capital. Soon the colonies began to crave their emancipation, which to them implied their own industrialisation, and decided upon independence to pursue capital accumulation and industrial self-sufficiency. In this new context after 1945, private flows of capital from the core to the periphery dried up. Much of the capital flowed within the core. The flows from the core to the periphery took the form, for the first time in history, of massive government-to-government transfers and some smaller flows from the multilateral lending institutions set up at the Bretton Woods conference in 1944—the World Bank and the International Monetary Fund (IMF)—to the countries of what in the 1950s came to be called the Third World.

The founders of the Bretton-Woods system believed that they had discovered the magic formula which would harness the creative forces of capitalism while mitigating its negative side effects. A fixed exchange-rate regime backed by the promise of IMF intervention was supposed to help everyone reap the fruits of free trade without worrying about instability. Aid facilitated by the World Bank was meant to help address issues of poverty and inequality.

The 1970s and the petro-dollar debt

This new dispensation persisted until the early 1970s. At that juncture the first of many events occurred which began the transformation of the post-war world by what we now call ‘globalisation’. The United States came off the dollar-exchange standard and the Bretton Woods system of fixed exchange rates collapsed. The quadrupling of oil prices generated a massive transfer, of up to about 5 per cent of their GDP, from the OECD countries to the oil-exporting countries. This was the largest flow in the 200 years since the industrial revolution of money from the developed countries to the (oil-exporting) developing countries. This in turn led to the recycling of petrodollars, which brought private bank loans from developed-country banks to the developing countries. This integration of the periphery into the global banking world heralded a new phase of the world economy.

The first crisis of the 1980s

It was when international debt became a problem in the early 1980s that we may say global civil society encountered the financial world. As Marx saw 150 years ago, capitalist power relations are non-coercive in a crude physical sense. The distancing between the owner of capital and its effects on the ground further complicates the agency problem. When debt piles up and interest payments mount, the poor may starve but whose fault is it really? The borrowers—those in power in the developing countries—eagerly shift the blame to the lenders—the IMF or Western banks. The IMF and the banks accuse the borrowers of economic mismanagement. But the real reason for the debt crisis was that the developed world had decided to put its house in order, adopted monetarist policies, and began to borrow rather than print money. This led to the turnaround in the bond markets when interest rates rose from 5 per cent to 15 per cent in nominal terms and from around minus 10 per cent to plus 10 per cent in real terms.

Through the 1980s, as country after country with debt problems had to seek IMF loans and submit to structural adjustment, civil society everywhere began to realise the severe impact such flows could have on daily life. It was as if, until then, people had been insulated from the outside world of global finance whose rules were non-negotiable even to their sovereign governments. Governments tried to bear down on their people in order to repay their debts, however wisely or foolishly the money had been used, and in response to the protests of their people could only plead helplessness in the face of IMF or foreign banks. In the years since independence people had thought that their governments were on their side or could at least be brought round to their side, and had some power to better their lives, as they had been promised. Now there was a cleavage
much to the approval of the IMF, Mexico loosened the
government's fiscal and monetary policy, which followed an orthodox fiscal and monetary policy, and helped to stabilize the Mexican peso crisis in December 1994. Having done so, global finance during the 1990s was able to lend and invest in emerging market economies on a scale never witnessed before. First was the so-called 'Asian Miracle' economies, which grew at an average rate of 7% per year, helped by the revolution in telecommunications and information technology. The pre-1998 period was a time when the risk premium on funds flowing into emerging market economies was lower than for developed market economies. The financial markets and the capital movements. The financial markets and the foreign exchange markets were dealing in $1 trillion per day, helped by the revolution in telecommunications and information technology. The prefered form of capital flow was equity rather than debt.

The resolution of the debt crisis of the 1980s was in one sense surprising and in another quite business-like. It took the intervention of the US government in the form of Brady Bonds (see Box 3.7, Glossary) to allow the banks to do what they normally do with bad debts: write them off. After much misery, much of the debt was written off, converted into equity, swapped for factories in debtor countries, or forgiven in recognition of some environmental good deed. It was painful and messy but once the write-off had been agreed by the developed country governments (which had to bear the tax burden of debt write-offs) the private commercial debt issue was resolved.

The 1990s: the peso and the Asian crises

The events of the 1990s were yet another phase of the movement that had started in the 1970s. Communist economies had by then collapsed and begun their transition to market economies. China had adopted market-oriented policies, albeit without renouncing socialism. Stock markets were springing up all over the emerging market economies. Developed countries had all by then deregulated capital movements. The financial markets and the foreign exchange markets were dealing in $1 trillion per day, helped by the revolution in telecommunications and information technology. The preferred form of capital flow was equity rather than debt. Foreign direct investment (FDI) flows to the Third World were soon outstripping foreign-aid flows by a factor of 4 to 1.

Two further shocks jolted the brave new world of global finance during the 1990s. First was the Mexican peso crisis in December 1994. Having followed an orthodox fiscal and monetary policy, much to the approval of the IMF, Mexico loosened the purse-strings in a pre-election year and made a risky dollar conversion of its debt. The uprising in Chiapas coincided with a transition to a new presidency, and the credibility of the peso collapsed. A massive rescue operation of $18 billion had to be organised by the IMF. A bad deflationary year followed in 1995 with much loss of output, but 1996 saw a recovery and a flow of funds back into Mexico.

The other shock was the Asian crisis of 1997 and 1998. This spread across nations previously hailed as miracle economies. Starting with the Thai bhat, the currency depreciation and stock market collapse moved to Malaysia, then to Indonesia, and finally to South Korea. The Asian crisis was the first crisis of globalisation of the late twentieth century. It started on the periphery but spread to the metropolis via Russia. It originated in the financial sector, which is at the forefront of globalisation. Its resolution, partially at least, came when the US Federal Reserve cut interest rates three times in quick succession in recognition of the likely impact of the crisis on US stock markets.

The Asian crisis was special in that it was triggered by bank lending rather than by portfolio investments or FDI. It took place in countries with high growth rates, high savings rates, and generally good macro-economic policies. The IMF misdiagnosed the crisis as one of 1980s-style macroeconomic mismanagement. But it was a private lending crisis, not a public finance one. The policy of pegged exchange rates proved to be inconsistent with unrestricted bank lending from abroad. What seemed like risk-free lending became risky when the bhat could no longer hold on to its peg to the US dollar. Since the bulk of the debt liability was in foreign currency, the domestic central bank could not help by performing its function as lender of last resort.

The Asian crisis was serious in terms of loss of output and currency depreciation. It also meant a substantial adverse impact on living standards of many people who had just recently emerged from poverty (see Box 3.2). In some countries, especially Indonesia but also Thailand and South Korea, the crisis became one of political authority. South Korea succeeded in making a transition to democracy and a peaceful change of regime, and Thailand reformed its constitution. Indonesia also went through a traumatic transition to democracy which remains fragile. The democratic deficit enhanced the need for civil society to organise resistance movements. By its clumsy intervention, the IMF seemed to be as
In East Asia, it was reckless lending by international banks and other financial institutions combined with reckless borrowing by domestic financial institutions—combined with fickle investor expectations—which may have precipitated the crisis; but the costs—in terms of soaring unemployment and plummeting wages—were borne by workers. Workers were asked to listen to sermons about bearing pain just a short while after hearing, from the same preachers, sermons about how globalisation and opening up capital markets would bring them unprecedented growth. (Stiglitz 2000: 1)

East Asia enjoyed an unprecedented 7 per cent GDP growth per year for the last two decades of the twentieth century. This enabled some countries in the region, namely, Hong Kong, South Korea, Singapore, and Taiwan, to become the only ones to actually make the transition from Third World to First World. Following the 1997 crisis, the region’s economies shrank by 4 per cent (United Nations 1999). Inflation and unemployment, hitherto virtually unknown in most of these countries, skyrocketed. Although most of the region’s economies managed to recover by 1999, they remain below their potential level had pre-crisis trends persisted.

The crisis left these countries with a heavy public debt burden, forcing the governments to spend a greater proportion of GDP on interest payments.

While most of the region’s economies are growing again, the social consequences of the crisis persist. In the aftermath of the crisis, the number of people in the region earning less than $1 day increased by 10 million (18 per cent).

South Korea, which had an unemployment rate of 2 per cent before the crisis, was still reporting a rate of 4 per cent at the end of 2000, despite the fact that the economy grew by 9.5 per cent in the same year. Real unemployment is even higher, as unemployment numbers do not reflect either the percentage of people who are nominally employed but receive no salary or the 117,000 migrant workers who had to leave South Korea after the crisis. South Korea also had no unemployment insurance until the crisis. The scheme since established does not cover most of the unemployed. Real wages declined by 14 per cent in the aftermath of the crises after growing by 7.3 per cent in 1996. This, combined with inflation, led consumer spending to decline by 12 per cent, the steepest drop in South Korean history. The result of all this is a persisting increase in poverty. Before the crisis 7.5 per cent of the urban population were poor. This number jumped to 23 per cent at the height of the crisis and was standing at 14 per cent at the end of 1999, despite the recovery.

In Indonesia, unemployment rose from 4.9 per cent to 13.8 per cent after the crisis. Real wages dropped by between 40 per cent and 60 per cent. The percentage of people living in poverty jumped from 11 per cent in 1996 to 20 per cent at the end of 1999, an addition of 20 million people.
In Thailand, unemployment remains at three times the pre-crisis level, despite strong recovery. Combined with a 6 per cent decline in real wages, this translates into an increased incidence of poverty of 15 per cent.

Hong Kong and South Korea are the only East Asian countries who have an unemployment insurance system. In Hong Kong unemployment rose from 2.2 per cent in 1997 to 5 per cent in 1998. At the end of 2000 it stood at 5 per cent despite two consecutive years of growth.

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much part of the problem as of any solution. The insistence of the Malaysian Prime Minister, Dr Mahathir, that controls on capital movements be revived in face of IMF opposition strengthened this impression, as in the event Malaysia did insulate itself against the worst effects of the crisis.

Calls for reform of the international financial institutions, for a new ‘global financial architecture’, were made in the wake of the Asian crisis during the summer of 1998. But the resolution of the immediate impact on US markets by the Federal Reserve cooled the ardour for any fundamental change among the G7 countries. No lender of last resort has been set up at the global level. The IMF escaped either bolstering of its powers or downsizing, as advocated by the Meltzer Report for the US Congress (IFIAC 2000). There were some changes in terms of greater transparency, greater accountability, and wider consultation with developing countries.2 But there was no radical reform.

Growth and persistence of foreign direct investment

Through the 1990s, despite the peso and the Asian crises, the movement of FDI to developing countries proved much less volatile than that of portfolio capital or bank lending. This has not excused FDI from criticism and its volume now exceeds that of foreign aid by between three and four times. While the large volume of turnover in the foreign exchange and bond markets—$1 trillion plus daily—attracts much attention, it is FDI which has effects at a local level and has longer-term effects on growth, employment, and the environment than portfolio capital. Its spread is confined to a small number of countries with high savings rates, large pools of semi-skilled labour, good governance, and high levels of literacy. There is, however, no IFI which monitors FDI or polices its accountability. Within the domestic jurisdiction of all OECD countries, there are tough regulations on corporations (for example, the US Justice Department’s moves against Microsoft) and regulatory bodies such as the Securities and Exchange Commission in the US and the Financial Services Authority in the UK. There is, however, no move afoot today for a global regulator of FDI. The Multilateral Agreement on Investments (MAI) was an attempt to

2 For an overview of the Financial Stability Forum and other IMF reforms, see IMF (1999).
introduce a uniform structure of rules for both domestic and foreign capital, but it did not extend to a uniform and universal regulation regime such as exists in individual OECD countries. The demise of the MAI was due as much to protests by the NGOs as to the reluctance of the US Congress to contemplate symmetric treatment of foreign and domestic capital. (see Box 3.3)

If there has been no global move towards regulation of FDI or any serious move for the reform of the IFIs, there has been a successful single-issue movement—Jubilee 2000—for the reduction of Third World debt.(see Box 3.4) While the petrodollar debt owed to commercial banks caused serious debt default problems in the 1980s and much misery, it was resolved, as noted above, by some cancellation of debt, some payment in lieu in the form of environmental policy changes, and even some capital sales. Public debt has proved to be a much tougher nut to crack. For one thing, the World Bank, as well as the governments of developing countries who are the lenders, do not believe in writing off bad debt. What is a sound commercial practice is forbidden to public agencies. This is a peculiar example of the inflexibility of government finance.

This Third World debt arises from a small amount of intergovernmental or IFI lending to some very
poor countries in the late 1980s and early 1990s, including Uganda, Mozambique, and Niger. The original principal has now mushroomed into a much larger sum due to the inability of many of the debtor countries to service it, as unpaid instalments have been added and compounded. The size of the debt now bears little relation to the original amount. Debtor countries have been weakened by the collapse of primary commodity prices since the late 1970s and many local and civil wars. Individual G7 countries have taken some initiatives; the UK has been in the lead since 1990, when John Major was briefly the Chancellor of Exchequer, and has accelerated this lead under Chancellor Gordon Brown; but the World Bank’s Highly Indebted Poor Countries (HIPC) initiative has been on the table since the mid-1990s. It has been mired in inaction. The total amounts are smaller than those in the 1980s but the debtor countries are now much poorer. It is also more difficult to persuade countries, especially the G7 which dominate the voting in the IFIs, to agree to any debt forgiveness.

Paradoxically, Third World debt, which Jubilee 2000 focused on, has little to do with globalisation. Indeed, it is the countries which cannot access the private lenders in the form of either debt or equity because...
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Box 3.4: Why Jubilee 2000 made an impact


Jubilee 2000 succeeded in many ways, but fell far short of achieving its goal of 'cancelling the unpayable debts of the poorest countries by the year 2000'. But the campaign could be said to have had some success in several respects:

1. It placed the issue of third world debt firmly on the political agenda. The campaign was launched in 1996. In 1998 a MORI poll commissioned by the aid agency CAFOD revealed that 69 per cent of the public wanted the British government to celebrate the millennium by cancelling Third World debt rather than building the Millennium Dome. At the end of the campaign, another MORI opinion poll commissioned by CAFOD found that two-thirds of those with an opinion supported Jubilee 2000. Only one in ten people actually opposed the Jubilee 2000 campaign, indicating that concern about corruption in the Third World did not reduce support for debt cancellation (CAFOD, press release, 7 July 1999). In a poll commissioned by The Scotsman during the 2001 British general elections, the issue of Third World debt was considered more important by Scottish voters than the issue of Europe (The Scotsman, 15 May 2001).

2. A global social movement was built, united around this one issue. By 2000, after just four years of campaigning, there were Jubilee 2000 campaigns, of varying strengths and character, in 68 countries. The national campaigns were autonomous but shared over-all goals, symbols, and information—and a tremendous sense of solidarity. The campaigns were based in countries as diverse as Angola and Japan, Colombia and Sweden, Honduras and Israel, Togo and the United States (Jubilee 2000 URL). The ability to cooperate and coordinate our campaigning was greatly enhanced by use of the Internet.

3. Confidence was built in developing country governments. In their negotiations with the Bretton Woods Institutions and with Paris Club bilateral creditors, the representatives of poor debtor nations were often cowed by the financial power and clout of bureaucracies serving the G7 powers. The growth of a social movement in the North that supported their human rights and called for international financial justice encouraged developing country representatives to strengthen their negotiating stances and to appeal over the heads of bureaucracies like the IMF to the electorates in Western countries. President Obasanjo of Nigeria used this tactic in the US and in a meeting with the G7 in Japan before the 2000 Okinawa Summit. And at the UN Financing for Development Conference in New York in May 2001, the G77, led by Iran, made strong challenges to the OECD countries on the debt issue.

How did we achieve this? The main reason for our success in the UK was that millions of ordinary people supported the campaign. Without them, there would have been no successes. However, Jubilee 2000 did facilitate their involvement. Below we list some of the techniques used by the coordinating group in London and suggest action points for other campaigners:

• First, study the problem very carefully and produce an analysis and long-term strategy which reflects many approaches. We describe this as similar to the challenge facing diamond-cutters: they sometimes study a stone for two years before cutting it; they then cut it in a way which will give maximum reflection of all the facets. Many issues, like trade for developing countries and the role of the IMF and the World Bank are not analysed precisely and accurately, and therefore do not give maximum reflection to all facets of the problem. Part of getting this right is a matter of instinct, based of course on experience and extensive knowledge—rather like sailor Ellen McArthur's success in 'reading the winds' during her historic round the world race.

• Look for a strong and straightforward argument—for example, a moral or social one—which will encourage people to attempt to get to grips with technical or political issues.

• Use the campaign's core issue as a rallying point for diverse groups, individuals, and organisations that wouldn't usually work together. In other words, build a coalition. But don't be choosy about who is in it; welcome anyone on the sole condition that they back the principles underlying your campaign.

• Coalitions are difficult to handle; some are loose, with no leadership and little coherence. Ours was strong, with clear leadership. One of the key responsibilities of the leadership must be to maintain respect and communication with all partners, regardless of their level of knowledge,
experience, political or financial influence, and political or religious allegiance or background. Allow a thousand flowers to bloom; be very open and inclusive. Support members of the coalition by providing easily digestible information, which can be adapted to their needs. This is particularly important for those that do not usually work on the issue. Allow others to use the branding to promote their own organisation, to raise funds, and to promote their own particular contribution to the campaign.

- Make the campaign brief (this is less threatening to established coalition members) and set a deadline to achieve the key objective(s); and stick by this ‘closing date’ This helps to keep a broad front of organisations together.

- Make use of world events which illustrate your case—for example, the floods in Honduras, after which that country paid more in debt service than it received in aid. This means being ‘opportunistic’ and responding quickly to events.

- Devise easy, specific and non-threatening actions that ordinary people will feel confident and justified in undertaking in order to express the case for the campaign.

- Write a petition and ensure that its wording is carefully devised to unite the widest possible range of people behind the campaign. Don’t use it just for counting signatures but apply it as part of a wider process and opportunity for engaging and educating people.

- If you are campaigning for changes in the South, be sure to provide a platform in the North for spokespersons from the South. Make it possible for them to speak for themselves and to speak directly about their experience.

- Keep looking for opportunities to raise expectations beyond those that may be considered normal but which retain a sense of ‘just about possible’. This builds excitement, energy, and leadership. We used goals that were beyond reasonable expectations yet were on the edge of practicality, pushing the boundaries.

- Involve different faiths in the campaign: once people of faith are properly involved then the campaign becomes difficult to resist. They and their organisations need to be closely involved both internationally and locally.

- The coordinating group must genuinely have the will and commitment to be very open in communicating information. You must believe that ordinary people will be able to grasp and deal with complex issues. Our supporters astonished officials and politicians with their grasp of complex facts.

- Be prepared to take measured risks. We often did not have more than three months funding in the bank.

- Keep the campaign fashionable and ahead of the game by (a) involving celebrities; and (b) loudly acknowledging and celebrating successes and achievements. But be aware of the risks and limitations of celebrity involvement; and don’t waste their time unless you have something that really meshes with their profile and commitment. Ensure that the relationship is a two-way one: that they get something out of it too.

- The core coordination team should be made up of people with a diversity of backgrounds and cultures in order to reflect the full range of interest in the campaign.

- All individuals and organisations taking part in the campaign must keep focused on its overall mission and goals; their own agendas must be subservient to it. Working for campaigns like these should not be considered a safe career move.

These are some of the techniques we used. None of them, however would have worked without the willingness of ordinary people to give precious time, resources, and commitment to the campaign. The credit for the success of Jubilee 2000 belongs overwhelmingly to these millions of people, most of whom will never be recognised for their role but who used their individual strengths to promote the cause of the most indebted nations. They achieved this at a time when ‘aid fatigue’ was supposedly pervasive and deep cynicism about the motives and altruism of voters was widespread.
they are abysmally poor that are forced into the arms of governmental or multilateral institutional lenders. Their plight is an aspect of the unequal nature of the global power structure as enshrined by the UN constitution, which gives veto power to the permanent members of the security council, and in the decision-making structures of the Bretton Woods institutions. The Asian crisis was a crisis of countries that had become just rich enough to be attractive to private lenders. The public-debt crisis is that of countries that are too poor to be of interest to commercial lenders and too weak to be a threat to the powerful governments which have lent them money.

Anti-capitalism: An Overview

Throughout the 40 or so years following 1945, there was a vibrant anti-capitalist movement, in the form either of orthodox Leninist Communist parties or of democratic socialist parties. Feminist and civil rights movements were added to this worldwide. The focus everywhere was the state because the state was seen as an instrument of control over capital or over the unequal power structure. Political parties of the left were part of this broad protest movement even when they were in office, as were the trade unions which supported these parties. The 1960s saw a big explosion of these movements across Western Europe and in the USA at a time when ‘capitalism in one country’ was perhaps performing at its best in terms of full employment and growth. The 1970s saw a worsening of economic performance, with stagflation and a deepening of the crisis of the state, but also of resistance against it. But even in the 1970s the various national movements were separate; only the environmental movement forged global interconnections. It was the changes in the 1970s and in the 1980s discussed above which shattered the logic of capitalism or socialism in one country and began to shape the new global economy not as an ecological ideal but as an economic reality.

The anti-capitalist movement of the 1960s and 1970s was wounded if not defeated by the structural changes which capitalism underwent in the 1980s in the developing countries. The collapse of the Soviet Union demoralised the Leninist left and shut down many Communist parties. There was instead a growth of NGOs, many of them concerned with development or ecological issues. Other movements, like the women’s movement and human rights campaigns, survived the neo-liberal onslaught of the 1980s. They have now emerged as the opposition to globalisation in the 1990s and beyond. Their numbers are larger, both individually and in their memberships. They are more globally networked. They are also less connected with political parties. In the following sections these movements are analysed in terms of their stances on the financial effects of globalisation.

The last ten years have witnessed historic changes in the world system. The state socialist countries of Europe have transformed themselves into fledging democracies and fragile market economies. Across OECD countries, social democratic parties in office or out of it have rethought their old philosophies and abandoned any desire for state ownership or control of capital. A system of countries each pursuing ‘capitalism in one country’ with weak articulation through trade has changed into one with strong articulation through international capital flows, inter-country, inter-corporate competition, flexible exchange rates, and converging long-term interest rates through global bond markets. Governments have suffered a narrowing of their scope for fiscal discretion. Stock markets have grown in size and numbers across the world. The logic of globalisation is one of unregulated global flows and a single bond market, although that logic is as yet far from realised.

Civil Society and Global Finance: Four Responses

Interactions between civil society and global capitalism take place at two friction points. At one point, society is reacting to market encroachment on both personal and public spaces: consumerism, atomisation, the erosion of public services, and nation state models of democracy. At the other, society is reacting to socio-economic consequences of capitalism such as poverty, inequality, and instability.

At these friction points the anti-capitalist movement raises two corresponding sets of questions:

1. What are the boundaries of the market? How are they determined and enforced?
2. Can the market be trusted to produce just and stable outcomes or does it require external intervention? How would such intervention be carried out?

These questions, although as old as capitalism itself, have gained in relevance over the past 20 years,
providing an impetus to the anti-capitalist movement. The reasons for this renewed attention are set out below.

First, there is a perception that liberal democracy is lagging behind neo-liberal economics or even being threatened by it (Mittelman 2000). The neo-liberal reforms rammed through during the 1980s by right-of-centre governments in the West and by the IMF in the East and the South, the inexorable encroachment of the market into the public sphere, the unchecked reign of multinational corporations, and the apparent inability of national leaders to challenge any of the above has given the anti-capitalist movement a new angle of attack.

Second, the abandonment of nation state-based answers to the contradictions of capitalism, be they the welfare state in the North or state-sponsored development or superpower patronage in the South, is generating pockets of extreme poverty in both rich and poor countries. While overall levels of prosperity are increasing, the situation at the bottom of the socio-economic ladder has actually been deteriorating. The widening gap between rich and poor, both within and between countries, is increasingly difficult to conceal, justify, or sustain. The anti-capitalist movement has changed in tandem with its target. In the era of state capitalism the focus was on the state. Some wanted to capture it, others to reform it, and yet others just wanted it out of the way. Today, attention is shifting to the corporation as the main target of the anti-capitalist movement. Some strands of the movement against corporate globalisation would even call for protecting and strengthening the territorial state while others demand solutions that require the creation of a global welfare state. To be sure, the state, especially in the G7 countries, remains an important target for many movements. There is a growing awareness, however, of the limitations of state power under globalisation.

The movement against global capitalism falls into four groups: isolationists, supporters, reformists, and alternatives. As with all such classifications, no movement, campaign, or event can be allocated solely to any one of the categories. Many shift from one to the other depending on the issue, event, or time frame in question.

Isolationists

In addition to remnants of Communist and Stalinist groups, isolationists include some environmental groups such as Friends of the Earth, who tend to be more radical in their economic than in their ecological agendas; think tanks and groups promoting national solutions to Third World development issues, such as Focus on the Global South; anti-globalisation groups such as the International Forum on Globalisation, Global Exchange, and 50 Years Is Enough; local social movements such as the Landless Peasants Movement in Brazil (MST); individuals such as Walden Bello and Noam Chomsky; and media outlets such as Le Monde Diplomatique.

The isolationists represent the only global civil society response to global capitalism which openly claims to be anti-globalisation. The isolationists call directly or indirectly for the abolition of the existing global economic order. Walden Bello says:

Indeed, I would contend that the focus of our efforts these days is not to try to reform the multilateral agencies but to deepen the crisis of legitimacy of the whole. I am talking about disabling not just the WTO, the IMF, and the World Bank but the transnational corporation itself. And I am not talking about a process of ‘re-regulating’ the TNCs but of eventually disabling or dismantling them as fundamental hazards to people, society, the environment, to everything we hold dear. (Bello 2000)

Other isolationists are less categorical. Many call for ‘economic diversity’ (Friends of the Earth 2000), presumably allowing for certain elements of global capitalism to continue in some areas. The demands they advance, however, can hardly be compatible with a functioning market economy, particularly given their objection to such concepts as economic growth or comparative advantage.

Isolationists treat globalisation and global capitalism as synonyms. They oppose globalisation in most of its manifestations, promoting instead deglobalisation (Bello 2000) or localization (Hines 2000) which entails:

- economic subsidiarity: trade should be minimised, goods should be produced as closely as possible to the site of consumption;
- political subsidiarity: states and local communities should be re-empowered at the expense of transnational corporations and international organisations, decisions should be...
taken as closely as possible to where they take effect; and

- self-sufficiency: resources for investment should be mobilised locally, reliance on foreign investment should be minimised.

In their blanket opposition to the IMF and the World Bank, left-wing isolationists find strange bed-fellows among their right-wing rivals and supporters of global capitalism. To quote Bello on this subject:

The motivation of the incoming Republicans in criticising the IMF and World Bank lies in their belief in free-market solutions to development and growth. This may not coincide with that of progressives, who see the IMF and World Bank as a tool of US hegemony. But the two sides can unite behind one agenda at this point: the radical downsizing, if not dismantling, of the Bretton Woods twins. (Bello 2001)

On the specific issues of global finance, the isolationists hold the following positions.

Public debt. Third World debt is a direct consequence and responsibility of Western powers, banks, and international lending institutions. Loans were knowingly made to corrupt and/or incompetent Third World leaders for political reasons, for example to ensure loyalty during the cold war or to perpetuate a relationship of dependence. Lending was also used as a beachhead to secure access for transnational corporations. Hence, all Third World debts should be written off. Moreover, given the real transfers from the Third World to the rich countries caused by unfavourable terms of trade and interest payments and outright looting in colonial days, the debt relationship should be reversed. In the future, Third World countries should avoid borrowing altogether and rely on their own resources for investments.

Short-term capital flows. Equity investments, derivatives, and foreign exchange transactions are all part of a global casino. On the upside, they only enrich Western speculators; on the downside, they cause widespread suffering to working people both in the North and in the South. Speculators often get bailed out by the IMF and other rescue programmes. They may even benefit from crises, as did George Soros, attacking the European Union’s exchange rate mechanism and the Thai baht.

Short-term capital flows are inherently volatile and destabilising. The responsibility for financial crises such as those in 1997–8 lies squarely on the shoulders of Western speculators and their private-sector counterparts in the afflicted countries. It also lies with the IMF, which forced the emerging economies to liberalise their capital markets in the first place. Post-crisis IMF interventions bail out speculators while aggravating the effects on working people. Countries should have the option to introduce currency and exchange controls and opt out of the global capital market altogether. Long-term foreign direct investments. Foreign investments benefit only the multinational corporations that make them. They serve to perpetuate the exploitation of the poor and destroy the environment. Consequently, structural adjustment programmes and other liberal reforms aimed at encouraging foreign investments are part of the same conspiracy:

Debt → Debt Crisis → Structural Adjustment → Opening to Transnational Corporations

Self-reliance and self-sufficiency are the only way forward. This is the unifying slogan which brings together the isolationists in the Third World with protectionists in the North by shielding national favourites, such as state-sponsored manufacturing industries, in the developing countries and sunset industries, such as the car industry, in developed ones.

Supporters

Civil society responses to global finance in the ‘supporters’ category include no movements and very few NGOs. They consist mainly of organisations, groups, media outlets, think tanks and individuals lobbying on behalf of business, be it an individual company, an industry, or private enterprise in general. Examples of supporters include the Centre for Civil Society in India, the Chamber of British Industry in the UK, the American Enterprise Institute in the US, The Economist, The Wall Street Journal, the Meltzer Commission, and Thomas Friedman.

Although attention is usually devoted to instances when the interests of civil society collide with those of global capitalism, the interactions between the two are not always negative. Civil society may benefit

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1. Adverse terms of trade meant that Third World countries over many years sold relatively cheap raw materials to industrialised countries in exchange for relatively expensive manufactured goods.
when market expansion takes place at the expense of authoritarian regimes, fundamentalism, or autarky. Capitalism can also be more just and efficient than such alternatives as feudalism or central planning. This is the main rationale behind civil society responses which are unequivocally supportive of global capitalism in its current form. Supporters are indeed, the most influential of the civil society responses to global capitalism. Since they occupy the two extreme ends of the spectrum, it should come as no surprise that supportive responses to global capitalism often coincide with isolationist positions. For diametrically different reasons both are dismissive of reforms and global governance proposals aimed at mitigating the negative consequences of global capitalism. The most important point of agreement among them is the equation of globalisation and global capitalism. As Thomas Friedman says:

The driving idea behind globalization is free-market capitalism—the more you let market forces rule and the more you open your economy to free trade and competition, the more efficient and flourishing your economy will be. Globalization means the spread of free-market capitalism to virtually every country in the world. Globalization also has its own set of economic rules—rules that revolve around opening, deregulating and privatising your economy. (Friedman 2000)

Global capitalism, according to its supporters, is not only the best way to prosperity: it is the only way. 'There Is No Alternative' (TINA) is an often-repeated argument to this end. TINA does not only mean that anyone who refuses to open up to global capitalism will be left behind; it also points to the perils of rolling back global capitalism. Supporters claim that if governments and international organisations succumb to anti-capitalist sentiments and try to rein in global capitalism, then globalisation as a whole will be rolled back, leading inevitably to results similar to those encountered when the previous era of globalisation came to an end early in the twentieth century, namely, war, fascism, and communism.

Supporters not only bristle at all forms of anti-capitalism but also reject most reform proposals. According to the supporters, all the injustices and inefficiencies attributed to global capitalism are not a result of too much market but of too little. Government interference of all kinds, including protectionism, welfare provisions, corruption, and incompetence is, according to them, responsible for the plight of the poor. The Economist (2000) states:

Governments are apologising for globalisation and promising to civilise it. Instead if they had any regard for the plight of the poor, they would be accelerating it, celebrating it, exalting it . . .

Supporters attack the World Bank and the IMF for even listening to NGOs, let alone engaging them in any serious deliberations. Many of them are actually opposed to these and other international institutions as examples of interventionist big government. On the specific issues of global finance, the supporters hold the following positions:

Public debt. Most of the burden of Third World debt is the responsibility of corrupt and incompetent governments. Cancelling it will not help these countries but may actually hurt them if it is seen as rewarding bad government. Government lending in the future should be kept to a minimum and used mostly as an instrument of foreign policy. Even international lending institutions should try to stay out of the debt market. The Meltzer Report (IFAC 2000), for example, recommends that the World Bank use grants rather than loans, but these should be disbursed through private service providers instead of being handed to governments.

Short-term flows. Short-term flows, be they loans, portfolio investments, foreign-exchange transactions, derivatives, or other exotic instruments are all part of the proper functioning of market mechanisms. Derivatives, for example, help distribute risk in a way that best reflects market realities and the preferences of individual market participants. Crises attributed to short-term flows, such as the Asian crisis, always have their roots in government interference, in this case Asian crony capitalism and subsequent IMF intervention. The answer is, therefore, always more liberalisation.

Long-term foreign direct investment. FDI is the best way to match savings and investments worldwide. It allocates financial resources to their most productive use, promotes the best technologies, and produces the most-needed products and services. Moreover, FDI is the best way to transfer know-how and technology, business prowess, and even demo-
cratic culture. FDI is the only way for the Third World to catch up.
Not only is it self-defeating for countries to place any restrictions on foreign investment; they should do their utmost to attract it. This is done through neo-liberal reforms including deregulation, privatisation, small government, balanced budgets, and tight money. The pain and dislocation caused by these policies are all justified by the expected benefits.

Reformists

The majority of movements, organisations, and campaigns active in the area of global finance are reformist. They include the bulk of the labour movement and associated think tanks such as the Institute for Policy Studies; development organisations such as Oxfam and WorldVision; watchdogs such as the World Development Movement and the Bretton Woods Project; issue-specific campaigns such as Jubilee 2000 and Action pour une Taxe Tobin d’Aide aux Citoyens (ATTAC); and individuals such as George Soros and Ann Pettifor. Even James Wolfenson, the head of the World Bank, could be included in this category.

Reformists comprise a broad category ranging from NGOs dedicated to monitoring the IMF to those IMF employees who are serious about reform. The reformists aim ‘at partial change to try to offset current injustices and inequalities’ (Cohen and Rai 2000: 2). Unlike the isolationists, movements demanding cancellation of Third World debt or IMF reforms are not pursuing a radical new social order.

The reformists pursue variations on the ‘social democratic’ agenda for the global era. Their aim is to maintain the advantages of the capitalist model while mitigating its excesses through re-regulation and redistribution. As the largest US trades union states: 

We need a global New Deal that establishes new rules to temper the excesses of the market; promote sustainable egalitarian growth; and assure the rights of working people everywhere are respected.
(AFL-CIO 1998)

The reformists view themselves as the only true defenders of globalisation. They believe that both isolationist calls to reverse the process and supporters’ insistence on ‘ultra-liberal’ forms of global capitalism are bound to derail globalisation, with tragic consequences. According to reformists, globalisation can succeed only if it is civilised and made more democratic, equitable, and stable.

Reformists propose a variety of global governance solutions to address this task. These proposals are usually built around reforming or augmenting existing international institutions or establishing new ones.

The reformists advance a set of global governance initiatives such as the Tobin tax (explained below) or regulations for multinational corporations, which may actually require a global state to implement. John Cavanagh says:

Some scholars such as Walden Bello, argue that developing countries would be better-off with no international financial institution rather than the IMF because this would allow local and national governments and citizens groups more autonomy in pursuing alternative development strategies. However, in an era of global capital, we would ideally have international financial institutions that could help reduce volatility and contagion in ways that can not be accomplished through nation states. An International Bankruptcy Authority has already been discussed. In addition, a number of scholars have proposed the creation of a new Global Financial Authority or a Global Central Bank. (Anderson and Cavanagh 2000)

On the specific global finance issues the reformists hold the following positions, although given the wide range of groups in this category the positions listed here are not all encompassing:

Public debt. Both developed and developing countries share the responsibility for the debt overhang and should share the burden of its resolution. For example, countries should be compensated for failed structural adjustment programmes or World Bank projects, which would offset some of their outstanding obligations. Debt should be cancelled for the poorest countries. The burden for the rest should be reduced to a level where it does not jeopardise their ability to provide basic human services. An International Bankruptcy Mechanism should be established to deal with debt cancellation and restructuring in situations when countries are no longer capable of meeting their debt obligations (Anderson and Cavanagh 2000).
Both lenders and borrowers should ensure that lending proceeds through an open and transparent process to avoid misuse through corruption or incompetence. Civil society should be involved in all stages of the process.

Short-term flows. The position of the reformists on short-term flows is close to that of the isolationists. Instead of dismissing these flows out of hand, however, the reformists seek solutions which would reorient them from speculation to long-term investment. Countries should have the option to impose ‘speed bumps’ and other defensive measures based on internationally agreed criteria. The IMF should not pursue the opening up of the capital account in member countries but should leave that to the discretion of governments. In case of crises, rescue packages should be aimed at minimising the negative impact on the real economy as opposed to bailing out reckless investors.

At the global level, proposals to tame short-term flows range from strengthening existing regulations to the establishment of a global lender of last resort/central bank and a Tobin tax. Named after the Nobel Prize-winning economist James Tobin of Yale University, such a tax of anything between 0.05 and 0.25 per cent levied on all foreign-exchange transactions would act as a deterrent to speculative transactions. The ATTAC platform claims that:

Even fixed at a particularly low rate of 0.05%, the Tobin tax would gather close to 100 billion dollars a year. Collected, primarily, by industrialised countries, where the largest financial centres are located, the sum could be redirected to international organisations for activities aimed at fighting inequality, promoting education and public health in poor countries and food security and sustainable development. This kind of mechanism would put sand in the gears of speculation. It would feed the logic of resistance, give citizens and nations back some room to manoeuvre and in particular it would show that politics can be restored to its proper place.

(Platform ATTAC 1998)

Long-term foreign direct investment. Few reformists would deny the benefits of foreign investment. Like the supporters, the reformists believe that foreign investment is the best way to allocate capital to its most productive uses. It is also the only way for poor countries to catch up with the rich given the difference in savings rates.

As discussed above, the reformists promote solutions which would redirect short-term flows to longer-term investments. The reformists, however, reject the link between neo-liberal structural adjustment policies and the flow of investments. Indeed, they reject neo-liberal structural adjustment policies because of the pain they cause to the poorest in society, their ‘one-size-fits-all’ approach, and the fact that they have not even been proved to promote growth or investment.

The reformists also emphasise the need to augment private investments by public funds to achieve development goals. According to the ICFTU (2000), for example, public investments by both national governments and IFIs should be targeted at social protection, primary education, health care, and employment.

Alternatives

The anti-capitalist protests in Seattle 1999, Washington 2000, and Prague 2000 were driven by the alternatives. Alternatives exist both as organisations—for example, the Zapatistas, Adbusters, and Reclaim the Streets—and as ‘submerged networks’ which come to the fore only around certain campaigns or exercise resistance through a particular lifestyle, such as INPEG (see Box 3.1), which existed only for the purpose of organising the Prague protests, or alternative money (LETS) groups (see Box 3.1). Alternatives are wary of leaders but there are alternative spokespersons like Naomi Klein and Subcomandante Marcos. (see Box 3.5)

Instead of aiming to transform or reform global capitalism, the alternatives are concerned with reclaiming ‘things’ from the encroaching market and creating space for alternatives. They are concerned with the political and cultural consequences of capitalism as much as they are with its economic and environmental costs. They perceive the encroachment of the market into the public space as a threat to democracy, which takes the form of ‘corporate censorship’ in the North and human rights abuses in the South (Klein 1999).

The fact that the alternatives comprise broad coalitions means that it is difficult to pin down their agenda or even what they stand for. But instead of being a weakness, the lack of a ‘little red book’ is...
The story of the Zapatistas' uprising is a textbook example of the relation between the local and the global in civil society today. The Zapatista Army for National Liberation burst onto the international stage when it seized several towns and villages in Mexico's poorest state of Chiapas on 1 January 1994. The insurgency coincided with the launch of the North American Free Trade Agreement and made a mockery of Mexico's planned celebration of joining the First World. The armed stage of the uprising lasted for only twelve days but it succeeded in drawing international attention to the plight of Mexico's indigenous population and forced the government to give serious consideration to their demands.

The desperate insurgency had every chance of being drowned in blood or joining the long list of forgotten ethnic conflicts. Instead the Zapatistas succeeded in tapping a vast transnational network of civic activists who provided it with visibility, protection, legitimacy, and support. Naomi Klein says:

"The Zapatista uprising was a new way to protect land and culture: rather than locking out the world, the Zapatistas flung open the doors and invited the world inside." (Klein 2001)

The Zapatistas brought networking to a new level. Their ideas, which spread initially through word of mouth, dominate the Internet. According to Naomi Klein, there are at least 4,500 Zapatista websites based in 26 countries. There is a Zapatista cottage industry selling 40 kinds of T-shirts, baseball caps, posters, and Mayan dolls. Zapatista gatherings—Encontros—both in Mexico and elsewhere are attended by thousands of activists from all over the world. Their latest event, the Zapatour, in which the movement's masked leaders toured the country promoting their cause, culminated with a 150,000-strong rally in Mexico City.

One of the secrets behind the Zapatistas' success is their ideas as formulated by the movement's eloquent non-leader Subcomandante Marcos. These ideas go far beyond the immediate demands of the Mayan communities to articulate an alternative global vision. Marcos is inviting the millions 'stood-up' by globalisation to unite behind the Chiapas Indians by defining the 'savage capitalism of the end of the 20th century' as the common enemy. Anyone who feels disenfranchised by global capitalism can join the Zapatistas by doing whatever they can wherever they are. Marcos says, describing the revolution:

"It will be, primarily, a revolution which is the result of the struggle on different social fronts, with many methods, within different social forms, with different degrees of commitment and participation. And its results will be, not a party, organisation or alliance of victorious organisations with its specific social proposal, but a chance for a democratic space in order to resolve the confrontation among diverse political proposals. This democratic space for resolution will have three fundamental premises which are inseparable historically: democracy, in order to decide upon the dominant social proposal, liberty in order to subscribe to one or the other proposal and justice in which all proposals should be enclosed." (Don Durito 1995)

This ambiguity combined with the movement's aversion to hierarchy and classical concepts of leadership make it ideal for the alternatives. Indeed, these ideas are the closest thing to a 'manifesto' for the alternative stream of the anti-capitalist movement. Klein says:
I may never have made the pilgrimage to Chiapas, but I have watched the Zapatistas’ ideas spread through activist circles, passed along second- and third-hand: a phrase, a way to run a meeting, a metaphor that twists your brain around. Unlike classic revolutionaries, who preach through bullhorns and from pulpits, Marcos has spread the Zapatista word through riddles. Revolutionaries who don’t want power. People who must hide their faces to be seen. A world with many worlds in it. A movement of one ‘no’ and many ‘yessers’. (Klein 2001)

Many of those who made the ‘pilgrimage’ to Chiapas went on to play a critical role in the major anti-capitalist protests in Seattle, Prague, and Davos. Zapatista slogans, ideas, non-hierarchical methods of organisation, irreverence, humour, and romanticism are omnipresent in alternative anti-capitalist events. Indeed it is hard to say today who needs the other more, the Zapatistas or the alternatives.
Civil society responses to global capitalism extend beyond protests and lobbying to ‘practical’ alternatives. In the area of money and finance such alternatives include LETS schemes and other money alternatives, micro-lending and Grameen banking, and socially responsible investment. These alternatives can be isolationist, reformist, supporter, or alternative in nature depending on their compatibility with global capitalism. They also vary in spread and success.

According to Project LETS (URL) there are around 500 LETS schemes and networks in 36 countries. The average size of these schemes is 50–60 participants although larger ones can have thousands of participants.

A typical example of LETS schemes is Ithaca Hours, based in the small university town of Ithaca, New York. One Hour is equivalent to $10 or one hour of work. The core of the system is a bi-monthly tabloid in which people and businesses that accept Ithaca Hours advertise their products and services. Each advertiser receives Four Hours so that s/he can purchase other peoples’ products. The currency is limited to a 20-mile radius and payments can be made in both dollars and hours. The scheme involves about 2,000 participants (Lietz 2001). Since LETS currencies are usually based on the exchange of labour hours, most LETS schemes are community-based, although this is changing with the advent of the Internet. Formalised LETS schemes are usually political rather than practical in nature. Environmental sustainability, anti-consumerism, and efforts to promote community cohesion and culture are among their main motivations. Formalised LETS schemes are trying to carve out space away from the market and as such could be designated as alternative.

The most prevalent forms of alternative money, however, are neither political nor formalised. Money shortages due to state failure or neo-liberal reforms may force millions in developing and transition countries to seek alternatives to money. In the former Soviet Union people augmented barter arrangements originally developed to deal with the shortage economy to handle the tight money of shock therapy. Such arrangements involve the exchange of both goods and services, including labour hours. Rather than being an alternative to market relations such arrangements are part of the new market economy in these countries.

The Grameen Bank extends loans as small as $50 to the poorest people in rural Bangladesh. The loans are given without collateral. The main clients are women whom the bank deems more likely to spend the money wisely and to repay it on schedule. The bank relies on community and peer pressure to ensure repayment. As such it uses social capital in the form of community relations and gender as a substitute for collateral and as a way to reduce lending costs. Grameen banking and similar forms of micro-lending have been extremely successful, reaching 14 million people in December 1999, a growth of 82 per cent in two years (Empowering Women with Microcredit 2000). The success of Grameen banking has prompted aid agencies, international lending institutions, and commercial banks to emulate it in other countries. Originally, Grameen banks were all NGOs. Micro-lenders today are divided between NGOs, who have predominantly a social/environmental agenda, and banks. Grameen banking and other forms of micro-lending are firmly anchored within market structures. They could be designated as reformist since they correct a market failure by extending lending to the poorest people who are usually shunned by commercial banks.

Socially responsible investing (SRI) is the most successful of the practical alternatives. Indeed, it is...
becoming so commonplace for pension funds—the largest portfolio investors—to demand SRI from their fund managers that it is gradually becoming the norm rather than the alternative. In 1999 over $2US trillion were invested in socially responsible ways, accounting for 13 per cent of assets under management in the United States. This represented a growth of 45 per cent over the 9 per cent figure for 1997 (Social Investment Forum 1999). The numbers are expected to grow especially since SRI funds are proving to be as profitable as, if not more so than, traditional ones. SRI is also spreading into Europe, albeit at a slower pace. The introduction of regulation in the UK requiring pension funds to disclose SRI policies has provided a needed boost.

British SRIIs are estimated to have £45 billion under management. There are several varieties of SRI, from passive screening of companies according to certain criteria to the active use of corporate governance mechanisms to inject environmental sustainability and labour and human rights standards into corporate policies. SRI could be described as supportive because it takes place within the framework of global capitalism, using its existing tools and mechanisms. One could say that SRI proves that market mechanisms such as corporate governance are the most efficient way to produce desired public goods without government intervention.

<table>
<thead>
<tr>
<th>Socially responsible investing in the US in 1999 ($Billions)</th>
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<tbody>
<tr>
<td>Screening</td>
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<td>Screening and Advocacy</td>
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<td>Community Investing</td>
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<td>Shareholder Advocacy</td>
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Table 3.1: Civil society responses to global finance

<table>
<thead>
<tr>
<th>ORGANISATION</th>
<th>ACTIVITY</th>
<th>POSITION</th>
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<td>Attac</td>
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<td>Bank Information Center</td>
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<td>Bankwatch</td>
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<td>Bello, Walden</td>
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<td>Brettonwoods Project</td>
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<td>Centre for Civil Society</td>
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<td>Corporate Watch</td>
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<tr>
<td>Don Durito (Subcomandante Marcos)</td>
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<td>Economist</td>
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<td>Fifty Years is Enough</td>
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<td>Financial Times</td>
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<td>Focus on Global South</td>
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<td>Friedman, Thomas</td>
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<td>Friends of the Earth</td>
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<td>Global Exchange</td>
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<td>Grammer Bank</td>
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<td>InPEG</td>
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<tr>
<td>Institute for Policy Studies</td>
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<tr>
<td>International Forum on Globalization</td>
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<td>Ithaca Hours</td>
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<td>Jubilee 2000</td>
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<td>Klein, Naomi</td>
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<td>Landrock Peasants Movement (MSI)</td>
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<td>Le Monde Diplomatique</td>
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<td>Metzger Commission</td>
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<td>Nader, Ralph</td>
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<td>OneWorld.net</td>
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<td>Oxfam</td>
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<tr>
<td>Reclaim the Streets</td>
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<td>Ruckus Society</td>
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<td>Social Investment Forum</td>
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<td>Stiglitz, Joseph</td>
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<td>Wall Street Journal</td>
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<td>Wolfensohn, James</td>
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<tr>
<td>World Development Movement</td>
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<tr>
<td>Zapatistas (EZLN)</td>
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• Predominant
• Significant
• To some extent
translated into an advantage, ensuring mass appeal, especially among the young.

It’s not the last gasp of the old left, or the resurgence of the new right. It’s not protectionism, or even anarchism. It’s something entirely different; something fresh being pieced together from the shards of old ideas, and glued with new solutions for a new age. (Kingsnorth 2000)

The alternatives do not necessarily seek to overthrow capitalism and are definitely not interested in gaining power. They seek instead to defend a ‘way of life’ and thus, place a strong emphasis on cultural issues. It is not surprising that their protests look more like cultural happenings than political action. Indeed, the alternatives’ grasp of popular culture is one of their main strengths.

The alternatives have a schizophrenic relationship to globalisation. On the one hand, by espousing many isolationist ideas they appear anti-globalisation; on the other hand they are fiercely global in placing a strong emphasis on solidarity or, as Reclaim the Streets puts it: ‘The resistance will be as transnational as capital’. The alternatives are also the most technologically savvy of all the resistance movements, which further ties them to globalisation. Similar groups are described as ‘anarcho-techies’ by John Naughton in Chapter 6.

There are parallels between the alternatives of today and the radicals of the 1960s. For example, the radicals brought together emancipatory and rights politics of the ‘old’ and the life politics of the ‘new’ social movements. The alternatives reproduced this link in the form of the Longshoremen providing protection to the anti-sweatshop student demonstrators in Seattle. The radicals and the alternatives are also similar in their emphasis on popular culture and forms in general. But there are also differences between the two: chief among them is that the ‘authority’ being challenged today is the corporation, not the state.

Alternatives do not have a particular position on global finance issues. Instead they espouse a mixture of isolationist and, to a lesser degree, reformist ideas. Conclusion: The Total Is More Than the Sum of the Parts

Civic responses to capitalism are as old as the system itself. Reactions to money are even older. Isolationists, supporters, reformists, and alternatives existed previously in various forms. Most of the time, governments and markets confronted or ignored them when they could not co-opt them. Lately, the individual responses have been coming together, creating something larger than the sum of its components. In Seattle and Prague, a myriad of individuals, organisations, movements, ideas, and methods came together to deliver a message so powerful that it took everyone by surprise.

Seattle and Prague, however, are only the most visible expression of global civic responses to capitalism. The various responses are actually working together all the time.

The alternatives lend mass appeal and visibility to what would otherwise be marginal isolationist and reformist movements. They also create the space where the various responses come together. The isolationists with their militancy and radical demands keep the issues alive and sharpen the debate. The ultimate winner from these synergies are the reformists, who eventually fill the gap between the supporters and the isolationists with constructive solutions.

Civic responses to global capitalism are also coming together across regions despite supporters’ claims to the contrary. The Zapatistas not only were saved by global solidarity; they are also the impetus for alternatives worldwide. IMF and World Bank reforms are influenced by demonstrations in Turkey, Nigeria, and Argentina as much as they are by riots in Prague and Washington. The Jubilee 2000 campaign would not have achieved what it did had it not been a truly global movement.

What is it that brings Ann Pettifor, Katerina Liskova, George Soros, and Walden Bello together to dress down the heads of the World Bank and the IMF? Why would the leaders of the Bretton Woods institutions subject themselves to such public
upbraiding? After all, activists were championing Third World issues before Katerina was born. Soros made his millions even earlier, totally unaware of Bello and his fellows in the national liberation movement. Twenty years ago most anti-capitalist activists did not even know who the leaders of the Bretton Woods institutions were, and if they did they wouldn’t have dreamt of sitting with them at the same table.

It could be that for the first time in decades the bottom rung seems to have dropped from the global social ladder, that along with overall prosperity there are more and more pockets around the world where people seem to have nothing to lose. Regardless of where they are, people are terrified by widening disparities. Many are all too aware that the Zapatista insurrection and Landless Peasant Movement land occupations are comparatively benign outbursts by those left behind, that unless something is done we can expect more violent eruptions with unpredictable consequences.

It could be that even those enjoying the fruits of prosperity are feeling less and less in control of their lives. It is, after all, frustrating to get virtually identical economic policies no matter whom you vote for and to watch your elected representatives facilitate or at best stand by helplessly as markets devour precious public space.

Maybe the whole thing is just a successful public relations stunt by the alternatives who are deftly mixing pop culture and information technology to lend a sheen of novelty and broad appeal to tired slogans. The new anti-capitalist movement may just be giving a new form to an old idea. Like its predecessors, it is unlikely to succeed in terms of defeating global capitalism (after all, supporters are the most influential of the civic responses to global capitalism) but it may just transform it.

Given the cacophony of voices behind it, the message from Seattle and Prague may be neither coherent nor constructive. It is more like an alarm, a shout of protest and despair. But it is loud enough that corporations, international organisations, and governments can ignore it only at their peril.

References


### Box 3.7: Glossary of financial terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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</thead>
<tbody>
<tr>
<td><strong>Derivatives</strong></td>
<td>Futures, puts, options and other financial instruments which are derived from others, such as commodity prices, shares, and bonds. Derivatives are often used as insurance against unfavourable movements in the underlying instruments. In portfolio investments derivatives are used to achieve a specific risk/return profile.</td>
</tr>
<tr>
<td><strong>Futures</strong></td>
<td>Financial instrument constituting a bet on the direction of the price of a certain commodity or exchange rate.</td>
</tr>
<tr>
<td><strong>Foreign Direct Investment (FDI)</strong></td>
<td>‘Refer to Investment Flows aimed at acquiring a lasting management interest (10% or more of voting stock) in an enterprise operating in an economy other than that of the investor’ (World Bank 1998–1999).</td>
</tr>
<tr>
<td><strong>Portfolio investment</strong></td>
<td>The purchase of debt, equity and other financial instruments. Equity portfolio investments usually stop short of obtaining management control in a particular enterprise. The goals of portfolio investments vary from growth to income to value preservation against adverse shocks.</td>
</tr>
<tr>
<td><strong>Brady Bonds</strong></td>
<td>‘Named after US Treasury Secretary Nicholas Brady, who in association with the IMF and World Bank sponsored the effort to permanently restructure outstanding sovereign loans and interest arrears into liquid debt instruments . . . Principal and certain interest is collateralized by U.S. Treasury zero coupon bonds and other high grade instruments. Creditor banks exchanged sovereign loans for Brady bonds incorporating principal and interest guarantees and cash payments. Debtor governments had their principal, interest and interest arrears reduced. Countries involved in the Brady Plan restructuring: Argentina, Brazil, Bulgaria, Costa Rica, Dominican Republic, Ecuador, Mexico, Morocco, Nigeria, Philippines, Poland, Uruguay. Potential future candidates for Brady Plan restructuring: Ex-Soviet Union (Vnesheconombank), Nicaragua, Panama, Peru’ (Emerging Markets Companion 1996–9).</td>
</tr>
</tbody>
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IMF (International Monetary Fund). http://www.imf.org


